

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

OFFICIAL STATEMENT

NEW ISSUE
BOOK-ENTRY ONLY

RATINGS (S&P): "AAA/A-1+"
(See "RATINGS")

In the opinion of Vinson & Elkins L.L.P. ("Bond Counsel"), assuming compliance with certain covenants and based on certain representations, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, except with respect to interest on any Bond during any period while it is held by a "substantial user" of the Development or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Interest on the Bonds, however, is an item of tax preference includable in alternative minimum taxable income for purposes of determining alternative minimum tax imposed on individuals and corporations. See "TAX MATTERS" herein for a discussion of Bond Counsel's opinion, including a description of alternative minimum tax consequences for individual and corporations and other federal tax consequences of owning the Bonds.

\$14,000,000

**Texas Department of Housing and Community Affairs
Variable Rate Demand Multifamily Housing Revenue Refunding Bonds
(Alta Cullen Apartments) Series 2008**

Dated: Date of Issuance

Price: 100%

CUSIP: 88275A CF5

Due: March 1, 2045

On the Delivery Date, the above-captioned bonds (the "Bonds") are being issued by the Texas Department of Housing and Community Affairs (the "Issuer") pursuant to a Trust Indenture, dated as of November 1, 2008 (the "Indenture"), between the Issuer and U.S. Bank National Association, as Trustee (the "Trustee"). The Bonds are being issued by the Issuer to provide funding for a loan (the "Loan") to be made by the Issuer to Alta Cullen Limited Partnership, a Texas limited partnership (the "Borrower"), pursuant to a Financing Agreement, dated as of November 1, 2008, between the Issuer, the Trustee and the Borrower, for the purpose of refunding the Issuer's Multifamily Housing Revenue Bonds (Alta Cullen Apartments) Series 2005 (the "Prior Bonds"), issued in the original principal amount of \$14,000,000, of which \$14,000,000 remains outstanding. The Prior Bonds provided a portion of the financing for the acquisition, construction and equipping of a 240-unit multifamily residential development located at approximately the 3500 block of Beltway 8 in the City of Houston, Texas (the "Development").

From the Delivery Date, the Bonds will bear interest at a Variable Rate until adjusted to a Reset Rate or converted to a Fixed Rate, all as described herein. The Bonds will be offered as fully registered bonds without coupons, in the minimum denomination of \$100,000 or any integral multiple of \$5,000 in excess thereof during the Variable Period. The Bonds are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). See "THE BONDS—Book-Entry Only System." The principal of, premium, if any, and interest on the Bonds are payable by the Trustee by wire transfer directly to DTC, which will in turn remit such payments to its participants for subsequent disbursement to the beneficial holders of the Bonds. During any Variable Period, interest on the Bonds will be payable on the first Business Day of each month (each an "Interest Payment Date"), commencing December 1, 2008.

From the Delivery Date, payments of principal of and interest on the Bond Mortgage Loan and payments of the Purchase Price of the Bonds will be secured by a direct pay Credit Enhancement Agreement, dated as of the date of the Indenture (the "Credit Enhancement Agreement"), between the Trustee and the Federal Home Loan Mortgage Corporation,

Freddie Mac

a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States ("Freddie Mac"). The Credit Enhancement Agreement will terminate on November 6, 2026 or upon the earlier redemption (or purchase in lieu thereof) of the Bonds or upon substitution of an Alternate Credit Facility under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and Appendix C. The Bonds are subject to mandatory redemption as described herein unless the Credit Enhancement Agreement is renewed, or replaced as described herein. See "THE BONDS—Mandatory Redemption."

The Bonds may be tendered at the option of the holder thereof upon seven days' notice, and the Bonds are subject to mandatory purchase by the Trustee upon the occurrence of certain events described herein, subject to the limitations described herein. See "THE BONDS—Demand for and Mandatory Purchase of the Bonds." The Bonds are subject to optional and mandatory redemption prior to their stated maturity date at the price, on the terms and upon the occurrence of the events described herein. See "THE BONDS—Optional Redemption" and "—Mandatory Redemption." The maturity of the Bonds may be accelerated upon the occurrence of certain events as described herein. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default; Acceleration; Remedies."

THE ISSUER HAS NOT REVIEWED AND IS NOT RESPONSIBLE FOR ANY INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, EXCEPT AS EXPRESSLY PROVIDED HEREIN. THE BONDS, TOGETHER WITH INTEREST THEREON, SHALL BE A LIMITED OBLIGATION OF THE ISSUER GIVING RISE TO NO CHARGE AGAINST THE ISSUER'S GENERAL CREDIT AND PAYABLE SOLELY FROM, AND CONSTITUTE CLAIMS OF THE BONDHOLDER HEREOF AGAINST ONLY, THE TRUST ESTATE. THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE DEBT OF THE ISSUER (EXCEPT TO THE EXTENT OF THE TRUST ESTATE), THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON, AND IN NO EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THERETO. THE ISSUER HAS NO TAXING POWER.

FREDDIE MAC'S OBLIGATIONS WITH RESPECT TO THE BONDS ARE SOLELY AS PROVIDED IN THE CREDIT ENHANCEMENT AGREEMENT. THE OBLIGATIONS OF FREDDIE MAC UNDER THE CREDIT ENHANCEMENT AGREEMENT WILL BE OBLIGATIONS SOLELY OF FREDDIE MAC, A SHAREHOLDER-OWNED, GOVERNMENT-SPONSORED ENTERPRISE ORGANIZED UNDER THE LAWS OF THE UNITED STATES OF AMERICA. FREDDIE MAC HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE BONDS, BUT WILL BE OBLIGATED, PURSUANT TO THE CREDIT ENHANCEMENT AGREEMENT, TO PROVIDE FUNDS TO THE TRUSTEE TO PAY THE PURCHASE PRICE OF THE BONDS UNDER THE CIRCUMSTANCES DESCRIBED HEREIN. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, ANY AGENCY THEREOF, OR OF FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC.

This cover page contains only a brief description of the Bonds and the security therefor. It is not intended to be a summary of material information with respect to the Bonds. Investors should read this entire Official Statement to obtain information necessary to make an informed investment decision regarding the Bonds.

THIS OFFICIAL STATEMENT DESCRIBES THE BONDS ONLY DURING THE INITIAL VARIABLE PERIOD, WHICH IS THE PERIOD BEGINNING ON THE DELIVERY DATE OF THE BONDS AND ENDING ON THE DATE ON WHICH INTEREST ON ANY BONDS IS ADJUSTED TO A RESET RATE OR CONVERTED TO A FIXED RATE. THIS OFFICIAL STATEMENT PERTAINS TO THE BONDS ONLY WHILE THEY ARE SECURED BY THE CREDIT ENHANCEMENT AGREEMENT PROVIDED BY FREDDIE MAC. A NEW OFFICIAL STATEMENT OR AN AMENDMENT TO THIS OFFICIAL STATEMENT IS REQUIRED TO BE USED TO OFFER OR REMARKET THE BONDS IF INTEREST ON THE BONDS IS CONVERTED TO A RESET RATE OR A FIXED RATE OR IF THE BONDS ARE NO LONGER SECURED BY THE FREDDIE MAC CREDIT ENHANCEMENT AGREEMENT.

The Bonds are offered when, as and if received by Stern Brothers & Co. (the "Underwriter"), subject to the delivery of certain opinions described herein by Vinson & Elkins L.L.P., Austin, Texas, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for Freddie Mac by its Legal Department and by its special counsel, Katten Muchin Rosenman LLP, Washington, D.C., for the Borrower by Morris, Manning & Martin, LLP, Atlanta, Georgia, and for the Underwriter by Gilmore & Bell, P.C., Kansas City, Missouri. It is anticipated that the Bonds will be available for delivery through DTC in New York, New York, on or about November 25, 2008.

Stern Brothers & Co.

Dated: November 24, 2008

No broker, dealer, salesman or other person has been authorized by the Issuer, the Borrower, or Stern Brothers & Co. (the "Underwriter") to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by the Issuer, the Borrower or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed to be a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as representations of fact.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information in this Official Statement has been obtained from the Issuer, the Borrower, Freddie Mac (to the limited extent noted below) and DTC and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriter, the Issuer, except with respect to the description under the headings "THE ISSUER" and "NO LITIGATION—The Issuer", or Freddie Mac, except with respect to the description under the heading "FREDDIE MAC." In particular, the Issuer has not provided or approved any information in this Official Statement except with respect to the information under the headings "THE ISSUER" and "NO LITIGATION—The Issuer" and takes no responsibility for any other information contained in this Official Statement.

Freddie Mac has not provided or approved any information in this Official Statement except with respect to the description under the heading "FREDDIE MAC", and takes no responsibility for any other information contained in this Official Statement. Freddie Mac makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility or performance of the Development, or compliance with any securities, tax or other laws or regulations. Freddie Mac's role with respect to the Bonds is limited to entering into the Credit Enhancement Agreement the provisions of which are described herein. The Servicer has not provided or approved any information in this Official Statement except with respect to the descriptions under the heading "THE SERVICER", and takes no responsibility for any other information contained in this Official Statement. The Servicer makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility or performance of the Development, or compliance with any securities, tax or other laws or regulations.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS REOFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE

PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUER OR THE UNDERWRITER AND ANY ONE OR MORE HOLDERS OF THE BONDS.

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OFFICIAL STATEMENT

\$14,000,000

**Texas Department of Housing and Community Affairs
Variable Rate Demand Multifamily Housing Revenue Refunding Bonds
(Alta Cullen Apartments) Series 2008**

INTRODUCTION

The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, which includes the cover page and Appendices, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and Appendices, must be considered in its entirety. Certain capitalized terms used in this Official Statement are defined herein and in the Appendices. All capitalized terms used in this Official Statement that are not otherwise defined herein shall have the meanings ascribed to them in the Indenture, the Financing Agreement, the Regulatory Agreement, the Reimbursement Agreement, the Bond Mortgage Note and the Credit Enhancement Agreement (as each such term is hereinafter defined).

This Official Statement is intended for use with respect to the above-captioned bonds (the "Bonds") only during the initial Variable Period, which is the period beginning on the Delivery Date and ending on the date on which the interest rate on the Bonds is adjusted to a Reset Rate or converted to the Fixed Rate.

General

The Texas Department of Housing and Community Affairs (the "Issuer") has issued its Multifamily Housing Revenue Bonds (Alta Cullen Apartments) Series 2005 (the "Prior Bonds") in the principal amount of \$14,000,000 pursuant to the Act. In connection with the issuance of the Prior Bonds, the Issuer loaned the proceeds of the Prior Bonds to Alta Cullen Limited Partnership, a Texas limited partnership (the "Borrower"), to finance the acquisition and construction of a multifamily residential rental project located at approximately the 3500 block of Beltway 8 in the City of Houston, Harris County, Texas, and known as the Alta Cullen Apartments (the "Development").

The Prior Bonds were issued pursuant to the Trust Indenture dated as of April 1, 2005 (the "Original Indenture") between the Issuer and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as trustee (the "Prior Trustee"). The proceeds of the Bonds were loaned to the Borrower pursuant to the Loan and Financing Agreement dated as of April 1, 2005 (the "Original Loan Agreement"), between the Issuer and the Borrower.

The Borrower has requested that the Issuer refund the Prior Bonds by issuing its Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Alta Cullen Apartments) Series 2008 in the original aggregate principal amount of \$14,000,000 (the "Bonds"), to provide for the refinancing of the Development pursuant to the Trust Indenture dated as of November 1, 2008 (the "Indenture"), between the Issuer and U.S. Bank National Association, as Trustee (the "Trustee").

On the Delivery Date, the Bonds will be equally secured by, and issued pursuant to the terms of, the Indenture. Repayment of the Bond Mortgage Loan will be governed by the terms of a Financing Agreement, dated as of the date of the Indenture (the "Financing Agreement"), among the Issuer, the Borrower and the Trustee, and evidenced by a Bond Mortgage Note, dated as of November 1, 2008 (the "Bond Mortgage Note"), by the Borrower in favor of the Issuer as assigned to the Trustee. The

obligations of the Borrower under the Bond Mortgage Note will be secured by a first lien Bond Multifamily Deed of Trust, Assignment of Rents and Security Agreement and Fixture Filing, dated as of the date of the Indenture (the "Bond Mortgage"), executed by the Borrower to the Issuer and assigned to the Trustee with respect to the Development. Payments on the Bond Mortgage Loan will be made by the Borrower to Wells Fargo Bank, N.A. (the "Servicer"), which will service the Bond Mortgage Loan in accordance with the Freddie Mac Multifamily Seller/Servicer Guide (the "Guide").

On the Delivery Date, the Issuer will assign the Financing Agreement (except for the Issuer's Unassigned Rights) to the Trustee for the benefit of the registered Holders of the Bonds. The Issuer's rights under the Bond Mortgage Note and the Bond Mortgage will also be assigned to the Trustee. In addition to the other security provided under the Indenture, the required payments under the Bond Mortgage Note will be secured by Guaranteed Payments under a direct pay Credit Enhancement Agreement, dated as of the date of the Indenture (the "Credit Enhancement Agreement" or "Credit Facility"), between the Federal Home Loan Mortgage Corporation ("Freddie Mac" or "Credit Facility Provider") and the Trustee. The obligation of the Borrower to reimburse Freddie Mac for funds provided by Freddie Mac pursuant to the Credit Enhancement Agreement is established by the terms and conditions of a Reimbursement and Security Agreement, dated as of the date of the Indenture (the "Reimbursement Agreement"), by and between the Borrower and Freddie Mac. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—The Credit Enhancement Agreement" and "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT" and Appendix C.

Under the Credit Enhancement Agreement, subject to certain requirements set forth therein, on any Interest Payment Date, or any date Bonds are called for optional or mandatory redemption, and on the maturity date of the Bond Mortgage Note, Freddie Mac is required to pay the sum of the Interest Component and the Principal Component of a Guaranteed Payment and, in the event of a failed remarketing, the Purchase Price of such Bonds. See "THE BONDS" and Appendix C.

Pursuant to an Intercreditor Agreement, dated as of the date of the Indenture (the "Intercreditor Agreement"), among the Issuer, the Trustee and Freddie Mac, neither the Trustee nor the Bondholders will have the right to control and exercise remedies under the Bond Mortgage while the Credit Enhancement Agreement secures the Bonds and Freddie Mac continues to honor its obligations thereunder. The Borrower will also execute the Reimbursement Multifamily Deed of Trust, Assignment of Rents and Security Agreement and Fixture Filing, dated as of the date of the Indenture (the "Reimbursement Mortgage"), for the benefit of Freddie Mac to secure its obligations under the Reimbursement Agreement.

THE ISSUER HAS NOT REVIEWED AND IS NOT RESPONSIBLE FOR ANY INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, EXCEPT AS EXPRESSLY PROVIDED HEREIN. THE BONDS, TOGETHER WITH INTEREST THEREON, SHALL BE A LIMITED OBLIGATION OF THE ISSUER GIVING RISE TO NO CHARGE AGAINST THE ISSUER'S GENERAL CREDIT AND PAYABLE SOLELY FROM, AND CONSTITUTE CLAIMS OF THE BONDHOLDER HEREOF AGAINST ONLY, THE TRUST ESTATE. THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE DEBT OF THE ISSUER (EXCEPT TO THE EXTENT OF THE TRUST ESTATE), THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON, AND IN NO EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THERETO. THE ISSUER HAS NO TAXING POWER.

FREDDIE MAC'S OBLIGATIONS WITH RESPECT TO THE BONDS ARE SOLELY AS PROVIDED IN THE CREDIT ENHANCEMENT AGREEMENT. THE OBLIGATIONS OF FREDDIE MAC UNDER THE CREDIT ENHANCEMENT AGREEMENT WILL BE OBLIGATIONS SOLELY OF FREDDIE MAC, A SHAREHOLDER-OWNED, GOVERNMENT-SPONSORED ENTERPRISE ORGANIZED UNDER THE LAWS OF THE UNITED STATES OF AMERICA. FREDDIE MAC HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE BONDS, BUT WILL BE OBLIGATED, PURSUANT TO THE CREDIT ENHANCEMENT AGREEMENT, TO PROVIDE FUNDS TO THE TRUSTEE TO PAY THE PURCHASE PRICE OF THE BONDS UNDER THE CIRCUMSTANCES DESCRIBED HEREIN. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, ANY AGENCY THEREOF, OR OF FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC.

In order to assure compliance with the applicable provisions of the Internal Revenue Code of 1986, as amended, the Borrower, the Trustee and the Issuer have entered into an Amended and Restated Regulatory and Land Use Restriction Agreement, dated as of the date of the Indenture (the "Regulatory Agreement"). The Regulatory Agreement requires a portion of the units in the Development to be occupied by low income residents. See "SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT." The Development is additionally restricted as described under the heading "THE BORROWER, THE PROPERTY MANAGER AND THE DEVELOPMENT—Low Income Housing Tax Credits."

Stern Brothers & Co. (the "Underwriter") has been appointed by the Borrower to serve as Remarketing Agent for the Bonds under the terms of a Remarketing Agreement, dated as of the date of the Indenture (the "Remarketing Agreement"), between the Borrower and the Underwriter. U.S. Bank National Association, as tender agent (the "Tender Agent"), will perform certain services in connection with the purchase of tendered Bonds.

Brief descriptions of the Issuer, the Bonds, the security for the Bonds, the Borrower, the Development, the Indenture, the Financing Agreement, the Regulatory Agreement, the Reimbursement Agreement, the Bond Mortgage Loan and the Intercreditor Agreement are included in this Official Statement. A form of the Credit Enhancement Agreement is included as Appendix C. All references herein to the Indenture, the Financing Agreement, the Regulatory Agreement, the Reimbursement Agreement, the Bond Mortgage Loan, the Intercreditor Agreement and other documents and agreements are qualified in their entirety by reference to such documents and agreements, copies of which are available for inspection at the offices of the Trustee, U.S. Bank National Association, 14241 Dallas Parkway, Suite 490, Dallas, Texas 75254, Mail Code EX-TX-DCRE, Attn: Corporate Trust Services.

THIS OFFICIAL STATEMENT IS INTENDED FOR USE WITH RESPECT TO THE BONDS ONLY DURING THE INITIAL VARIABLE PERIOD, WHICH IS THE PERIOD BEGINNING ON THE DELIVERY DATE AND ENDING ON THE DATE, IF ANY, ON WHICH THE INTEREST RATE ON THE BONDS IS ADJUSTED TO A RESET RATE OR CONVERTED TO A FIXED RATE. THIS OFFICIAL STATEMENT PERTAINS TO THE BONDS ONLY WHILE THEY ARE SECURED BY THE CREDIT ENHANCEMENT AGREEMENT PROVIDED BY FREDDIE MAC. A NEW OFFICIAL STATEMENT OR AN AMENDMENT TO THIS OFFICIAL STATEMENT IS REQUIRED IF INTEREST ON ANY SERIES OF THE BONDS IS CONVERTED TO A RESET RATE OR A FIXED RATE OR IF THE BONDS ARE NO LONGER SECURED BY THE FREDDIE MAC CREDIT ENHANCEMENT AGREEMENT.

THE ISSUER

The following information has been provided by the Issuer. None of the Trustee, the Borrower, Freddie Mac, the Servicer or the Underwriter have made any independent investigation regarding the information presented under this heading, nor have such parties verified the accuracy or completeness thereof, and none of the Trustee, the Borrower, Freddie Mac, the Servicer or the Underwriter assumes any responsibility or liability therefor.

General

The Issuer, a public and official governmental agency of the State and a body corporate and politic, was created pursuant to the Act, effective September 1, 1991. The Issuer is the successor agency to the Texas Housing Agency (the "Agency") and the Texas Department of Community Affairs (the "TDCA"), both of which were abolished by the Act and their functions and obligations transferred to the Issuer. One of the purposes of the Issuer is to provide assistance to individuals and families of low and very low income and families of moderate income and persons with special needs to obtain decent, safe and sanitary housing. Pursuant to the Act, the Issuer may issue bonds, notes or other obligations to finance or refinance residential housing and to refund bonds previously issued by the Agency, the Issuer or certain other quasi-governmental issuers. The Act specifically provides that the revenue bonds of the Agency become revenue bonds of the Issuer.

The Issuer is subject to the Texas Sunset Act (Chapter 325, Texas Government Code, as amended, hereinafter referred to as the "Sunset Act"), and its continued existence is subject to a review process that resulted in passage of legislation in the 2003 Texas legislative session which continues the Issuer in existence until September 1, 2011, at which time it will again be subject to review. The Sunset Act, however, recognizes the continuing obligation of the State to provide for the payment of bonded indebtedness incurred by a State agency abolished under the provisions thereof and provides that the Governor of the State shall designate an appropriate State agency to continue to carry out all covenants with respect to any bonds outstanding, including the payment of any bonds from the sources provided in the proceedings authorizing such bonds.

In the Act, the State also pledges and agrees with the holders of any bonds issued under the Act (such as the Bonds) that the State will not limit or alter the rights vested in the Issuer to fulfill the terms of any agreements made with the holders thereof that would in any way impair the rights and remedies of such holders until such bonds, together with the interest thereon, interest on any unpaid installments of interest and all costs and expenses incurred in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged.

Organization and Membership

Governing Board

The Issuer is governed by a governing board (the "Board") consisting of seven public members, appointed by the Governor of the State, with the advice and consent of the State Senate. Board members hold office for six-year staggered terms. Each member serves until his or her successor is appointed and qualified. Each member is eligible for reappointment. Members serve without compensation, but are entitled to reimbursement for actual expenses incurred in performing their duties of office. The Act requires the Governor to make appointments so that the places on the Board are occupied by persons who have a demonstrated interest in issues related to housing and support services and who broadly reflect the geographic, economic, cultural, and social diversity of the State, including ethnic minorities, persons with disabilities and women.

The Governor of the State designates a member of the Board to serve as the presiding officer (the "Chair") of the Board at the pleasure of the Governor. The Chair presides at all meetings and performs such other duties as may be prescribed from time to time by the Board and by the Act. In addition, the members of the Board elect one of its members as assistant presiding officer (the "Vice Chair") to perform the duties of the Chair when the Chair is not present or is incapable of performing such duties. The Board also elects a Secretary and a Treasurer (which offices may be held by one individual and neither office holder is required to be a Board member) to perform the duties prescribed by the Board

The current members of the Board, their occupations and their terms of office are as follows:

C. KENT CONINE, Chair and Board Member. President, Conine Residential Group, Frisco, Texas. His term expires January 31, 2009.

GLORIA L. RAY, Vice Chair and Board Member. Chief of Resources Management Division, Kelly Air Force Base, Retired. Her term expires January 31, 2011.

DIONICIO VIDAL "SONNY" FLORES, Board Member. President and Owner, PEC Corporation, an engineering and construction management company. His term expires January 31, 2009.

DR. JUAN SANCHEZ MUÑOZ, Board Member. Associate Professor of Education, Associate Vice Provost and Special Assistant to the President, Texas Tech University. His term expires January 31, 2011.

THOMAS CARDENAS, P.E., Board Member. President and Chief Executive Officer, ECM International, Inc. His term expires January 31, 2013.

LESLIE BINGHAM ESCAREÑO, Board Member. Chief Executive Officer, Valley Baptist Medical Center-Brownsville. Her term expires January 31, 2013.

[VACANCY]

All of the above Board members have been appointed by the Governor and confirmed by the State Senate, except for Dr. Juan Muñoz, Thomas Cardenas and Leslie Escareño. Pursuant to Article XVI, Section 17, of the Texas Constitution, any Board member whose term has expired continues to serve until his or her successor has been appointed. Texas law requires that confirmations of any such appointment be considered at the next legislative session, whether regular or special.

Administrative Personnel

The Act provides that the Issuer is to be administered by an Executive Director to be employed by the Board with the approval of the Governor. The Executive Director serves at the pleasure of the Board, but may also be removed by a newly elected Governor who did not approve the Executive Director's appointment by action taken within 90 days after such Governor takes office. The Executive Director is responsible for administering the Issuer and its personnel. The Executive Director may employ other employees necessary for the discharge of the duties of the Issuer, subject to the annual budget and the provisions of any resolution authorizing the issuance of the Issuer's bonds.

Currently, the Issuer has 285 employees. The following is a biographical summary of certain of the Issuer's senior staff members who have responsibility with respect to multi-family housing matters:

MICHAEL G. GERBER, Executive Director. On April 13, 2006, the Issuer selected Michael G. Gerber as Executive Director. Mr. Gerber began service at the Department on May 17, 2006, with the statutorily required approval of the Governor. Before joining the Department, Mr. Gerber served as an Advisor to Texas Governor Rick Perry in the Governor's Office of Budget, Planning, and Policy since October 2004. From January 2003-October 2004, Mr. Gerber served in the Bush Administration at the U.S. Department of Housing and Urban Development, first as a Senior Advisor to the Assistant Secretary for Public and Indian Housing, and later as a Senior Advisor to the Assistant Secretary for Policy Development and Research. Mr. Gerber served as a Legislative Assistant to U.S. Senator Kay Bailey Hutchison from 1997-2001, and as a Special Assistant for State Projects to U.S. Senator Phil Gramm from 1990-1997. Mr. Gerber received his undergraduate degree from George Washington University and an MBA from Marymount University.

BROOKE BOSTON, Deputy Executive Director. Ms. Boston joined the Issuer in June of 2000 as a Low Income Housing Tax Credit Planner in the Multifamily Program Division and was subsequently named the Co-Manager of the low income housing tax credit program. She assumed her current position on June 1, 2006. Ms. Boston's responsibilities include oversight of the Issuer's program divisions including Single Family Finance Product, Multifamily Finance Production, the Office of Colonia Initiatives and the Community Affairs Division. Prior to this position, Ms. Boston had been the Director of Multifamily Finance Production since January 2003 and her duties included managing Mortgage Revenue Bonds, Low Income Housing Tax Credit, preservation funds, the Housing Trust Fund and HOME funds. Prior to joining the Issuer, Ms Boston had been in the housing industry doing consulting on affordable housing development. Ms. Boston has a Master of Science in Planning from Florida State University, Tallahassee, Florida.

WILLIAM DALLY, Deputy Executive Director for Administration. Mr. Dally initially joined the Department on the Internal Audit staff in May 1994. On May 1, 1999, Mr. Dally was promoted to the position of Chief Financial Officer after serving as the Department's Controller since January 1996. Mr. Dally is presently responsible for the Issuer's management of fiscal affairs, including budgets and financial reporting. In his current role, Mr. Dally also oversees the Compliance Monitoring Functions of the Issuer. Mr. Dally earned a Bachelor of Business Administration degree in Accounting from the University of Texas at Austin, and is a Certified Public Accountant. Prior to his employment with the Department, Mr. Dally was a Senior Auditor with the firm of KPMG Peat Marwick and worked primarily with governmental entities.

ROBBYE MEYER, Director of Multifamily Finance Production. Ms. Meyer joined the Issuer in May 2001 as the Multifamily Bond Specialist in the Multifamily Bond Program Division. She was reclassified as the Multifamily Bond Administrator when the Issuer was reorganized in 2003. Ms. Meyer was named Manager of Multifamily Finance Production in April of 2005 and subsequently named Director of Multifamily Production in September, 2006. As Director, she is responsible for the application, review, allocation, award, and closing on all multifamily funding sources and the Issuer including multifamily revenue bonds, low income housing tax credits, preservation funds, the Housing Trust Fund, and HOME funds.

PATRICIA MURPHY, Director of Portfolio Management and Compliance. Ms. Murphy joined the Issuer in 1995 as a Compliance Monitor. Prior to her promotion, Ms. Murphy served the last three years as Manager for Portfolio Compliance. She also served with the City of Austin Neighborhood and Housing Services in the city's first time homebuyer program before joining the Issuer. Ms. Murphy, a native of Rhode Island, received a BA in Sociology and Women's Studies from Boston College.

KEVIN HAMBY, General Counsel and Secretary to the Board. Kevin Hamby was named General Counsel of the Department and became Secretary to the Board on September 1, 2005. In his role

of Board Secretary, Mr. Hamby coordinates the recording of transcripts and minutes of Board actions as required by the Act. As General Counsel, Mr. Hamby is responsible for coordination of all internal and external legal counsel for the Issuer. Previously, he was with the Office of the Attorney General of Texas in the Administrative Law Division. After graduating from Catholic University of America, Columbus School of Law, Mr. Hamby joined the Dallas office of Fulbright & Jaworski, L.L.P. where he was involved in the Public Finance and Commercial Litigation Sections. After leaving the law firm, Mr. Hamby served as General Counsel to several organizations while in private practice. Mr. Hamby received his undergraduate degree in government from the University of Texas.

The offices of the Issuer are located at 221 East 11th Street, Austin, Texas 78701-2410, and the telephone number for the Housing Finance Division of the Issuer is 512/475-3800.

THE BONDS, TOGETHER WITH INTEREST THEREON, ARE SPECIAL AND LIMITED OBLIGATIONS SOLELY OF THE ISSUER PAYABLE FROM THE REVENUES, RECEIPTS AND SECURITY PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE UNITED STATES OF AMERICA, THE STATE, THE ISSUER, NOR ANY OTHER POLITICAL SUBDIVISION OR BODY CORPORATE AND POLITIC OF THE STATE OR ANY AGENCY OF THE UNITED STATES OF AMERICA OR ANY ISSUER THEREOF, WILL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER OF THE ISSUER, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS WILL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF THE UNITED STATES OF AMERICA, THE STATE, THE ISSUER, OR ANY OTHER POLITICAL SUBDIVISION OR BODY CORPORATE AND POLITIC OF THE STATE, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. THE BONDS ARE NOT AN OBLIGATION, DEBT OR LIABILITY OF THE STATE, AND DO NOT CREATE OR CONSTITUTE A PLEDGE, GIVING OR LENDING OF THE FAITH, CREDIT, OR TAXING POWER OF THE STATE.

Other Indebtedness of the Issuer

Single Family Mortgage Revenue Bonds. Since 1979, the year of creation of the Agency, through August 31, 2008, there have been issued by the Agency or the Issuer, 27 series of Residential Mortgage Revenue Bonds, 2 series of GNMA Collateralized Home Mortgage Revenue Bonds, 51 series of Single Family Mortgage Revenue Bonds, 4 series of Junior Lien Single Family Mortgage Revenue Bonds, 11 series of Collateralized Home Mortgage Revenue Bonds, and 10 series of Single Family Mortgage Revenue Bonds (Collateralized Home Mortgage Revenue Bonds). As of August 31, 2008, the aggregate outstanding principal amount of bonded indebtedness of the Issuer for single family purposes was \$1,450,655,138.

Multifamily Housing Revenue Bonds. The Issuer and the Agency, through August 31, 2008, have issued 134 series of Multifamily Housing Revenue bonds which have been issued pursuant to separate trust indentures and are secured by individual trust estates which are separate and distinct from each other. As of August 31, 2008, 108 series were outstanding with an aggregate outstanding principal amount of \$1,220,435,016 of Multifamily Housing Revenue bonds.

The Bonds will be limited obligations of the Issuer as described under the heading "THE BONDS—Limited Obligations" below.

The Issuer has not reviewed this Official Statement and is not responsible for any information contained herein, except for the information under this heading and under the heading "NO LITIGATION—The Issuer" below.

THE BONDS

The following is a brief summary of certain provisions of the Indenture relating to the Bonds. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Indenture and the Bonds, copies of which are on file with the Trustee.

General

The Bonds will be offered in fully registered form and are registered in the name of Cede & Co., as registered Holder and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC acts as securities depository for the Bonds. Individual purchases are made in book-entry-only form. Purchasers will not receive certificates representing their interest in the Bonds purchased. So long as Cede & Co. is the registered Holder of the Bonds, as nominee of DTC, references herein to the Bondholders or registered Holders of the Bonds shall mean Cede & Co., as aforesaid, and shall not mean the beneficial Holders of the Bonds.

So long as Cede & Co. is the registered Holder of the Bonds, principal, premium, if any, and interest on the Bonds are payable by the Trustee to Cede & Co., as nominee for DTC, in same day funds. DTC, in turn, is required to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the beneficial Holders. See "THE BONDS—Book-Entry-Only System."

The Bonds will be fully registered as to principal and interest, without coupons, in Authorized Denominations. All of the Bonds are equally and ratably secured. Bonds offered on the Delivery Date shall be dated such date.

The Bonds shall bear interest payable on each Interest Payment Date at the rate per annum determined as described below. The Bonds shall mature, subject to redemption prior to maturity as provided in the Indenture, on the maturity date set forth on the cover hereof. The Bonds shall bear interest in each case from the Interest Payment Date next preceding the date of authentication thereof to which interest has been paid or duly provided for, unless the date of authentication is an Interest Payment Date to which interest has been paid or duly provided for, in which case from the date of authentication of the Bond, or unless no interest has been paid or duly provided for on the Bonds, in which case from the Delivery Date until payment of the principal of the Bond has been made or duly provided for. Notwithstanding the foregoing, if a Bond is authenticated after a Record Date and before the following Interest Payment Date, such Bond shall bear interest from such Interest Payment Date; provided, however, that if there shall be a default in the payment of interest due on such Interest Payment Date, then the Bonds shall bear interest from the next preceding Interest Payment Date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for, from the Delivery Date.

The Person in whose name any Bond is registered on the Record Date with respect to an Interest Payment Date shall be entitled to receive the interest payable on such Interest Payment Date (unless such Bond has been called for redemption on a redemption date which is prior to such Interest Payment Date) notwithstanding the cancellation of such Bond upon any registration of transfer or exchange thereof subsequent to such Record Date and prior to such Interest Payment Date; provided, however, that if and to the extent the Issuer shall default in the payment of the interest due on any Interest Payment Date, such defaulted interest shall be paid as described in the next paragraph.

Any interest on any Bond that is due and payable, but is not punctually paid or duly provided for, on any Interest Payment Date ("Defaulted Interest") shall forthwith cease to be payable to the Person in whose name such Bond is registered on the relevant Record Date and shall be paid in the manner described in this paragraph. The Trustee may elect to make payment of any Defaulted Interest to the Persons in whose names the Bonds (or their respective predecessor Bonds) are registered at the close of business on a special record date for the payment of such Defaulted Interest (a "Special Record Date"), which shall be fixed in the following manner. The Trustee shall determine the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (a "Special Interest Payment Date"), shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than fifteen nor less than ten days prior to the Special Interest Payment Date and shall cause notice of the proposed payment of such Defaulted Interest on the Special Interest Payment Date and the Special Record Date therefor to be mailed, first class, postage prepaid, to each Bondholder at such Bondholder's address as it appears in the Bond Register not less than ten days prior to such Special Record Date; notice of the proposed payment of such Defaulted Interest on the Special Interest Payment Date and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Bonds (or their respective predecessor Bonds) are registered on such Special Record Date.

Payment of principal of the Bonds and premium, if any, shall be made upon presentation and surrender of the Bonds at the Principal Office of the Trustee. Interest on the Bonds shall be paid by check mailed to the registered Owner thereof at such registered Owner's address as it appears on the Bond Register on the Record Date. Upon written request of a registered Owner of at least \$1,000,000 in principal amount of Bonds Outstanding received by the Trustee at least five days prior to a Record Date, all payments of principal, premium, if any, and interest on the Bonds, less any reasonable wire transfer fees imposed by the Trustee, shall be paid by wire transfer in immediately available funds to an account within the continental United States designated by such registered Owner. Payment of the Purchase Price of any Bonds tendered for purchase on a Settlement Date shall be payable in lawful money of the United States of America only upon presentation thereof at the Principal Office of the Tender Agent.

Limited Obligations

THE ISSUER HAS NOT REVIEWED AND IS NOT RESPONSIBLE FOR ANY INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, EXCEPT AS EXPRESSLY PROVIDED HEREIN. ANY OBLIGATION WHICH THE ISSUER MAY INCUR UNDER THE INDENTURE OR UNDER ANY INSTRUMENT EXECUTED IN CONNECTION THEREWITH WHICH SHALL ENTAIL THE EXPENDITURE OF MONEY SHALL NOT BE A GENERAL OBLIGATION OF THE ISSUER BUT SHALL BE A LIMITED OBLIGATION PAYABLE SOLELY FROM THE TRUST ESTATE. THE BONDS SHALL CONSTITUTE A VALID CLAIM OF THE RESPECTIVE BONDHOLDERS THEREOF AGAINST THE TRUST ESTATE, WHICH IS PLEDGED TO SECURE THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS AND WHICH SHALL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THE INDENTURE. THE BONDS, TOGETHER WITH INTEREST THEREON, SHALL BE LIMITED OBLIGATIONS OF THE ISSUER GIVING RISE TO NO CHARGE AGAINST THE ISSUER'S GENERAL CREDIT AND PAYABLE SOLELY FROM, AND CONSTITUTE CLAIMS OF THE BONDHOLDERS THEREOF AGAINST ONLY, THE TRUST ESTATE. THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE DEBT OF THE ISSUER (EXCEPT TO THE EXTENT OF THE TRUST ESTATE), THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON, AND NOT IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS

OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THERETO. THE ISSUER HAS NO TAXING POWER.

No agreement or obligation contained in the Indenture shall be deemed to be an agreement or obligation of any governing board member, director, officer, agent or employee of the Issuer in his or her individual capacity, and no member of the governing board of the Issuer nor any officer executing any Bond shall be liable personally on such Bond or be subject to any personal liability or accountability by reason of the issuance thereof. No governing board member, director, officer, agent or employee of the Issuer shall incur any personal liability with respect to any other action taken by him or her pursuant to the Indenture.

THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, OR ANY AGENCY OF THE UNITED STATES OF AMERICA, OR FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC. PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS IS NOT GUARANTEED BY FREDDIE MAC. THE OBLIGATIONS OF FREDDIE MAC UNDER THE CREDIT ENHANCEMENT AGREEMENT ARE OBLIGATIONS SOLELY OF FREDDIE MAC AND ARE NOT BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

Book-Entry-Only System

The Indenture directs the Issuer, the Trustee, the Borrower and certain other persons to deem and treat the Person in whose name any Bond is registered in accordance with the Indenture on the registration books maintained pursuant to the Indenture as the Holder thereof for all purposes. Notwithstanding the above, so long as the Bonds are held under a book-entry system, transfers and exchanges of beneficial ownership of the Bonds will be effected on the books of DTC or its successor as securities depository for the Bonds, pursuant to its rules and procedures.

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and premium, if any, and interest on the Bonds to DTC, its nominee, Direct and Indirect Participants or Beneficial Owners (each as defined below), confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, Direct and Indirect Participants and Beneficial Owners is based solely on information furnished by DTC. **Neither the Issuer, the Trustee, the Borrower nor the Underwriter assume any responsibility for the accuracy or adequacy of the information included in such description.**

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other

securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its

usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Underwriter, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Underwriter. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Underwriter's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The Issuer or the Borrower, with the consent of the other, may decide to discontinue use of the system of book-entry transfer through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

NEITHER THE ISSUER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS, IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL, INTEREST, PREMIUM OR REDEMPTION PRICE OF THE BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY DTC PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; OR ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

Variable Rate for the Bonds

The Bonds shall initially bear interest at a Variable Rate as described under this heading, until the first Reset Adjustment Date or Fixed Rate Adjustment Date, if any.

The Bonds shall bear interest from and including the Delivery Date to and including the immediately succeeding Variable Interest Computation Date at a Variable Rate agreed to by the

Remarketing Agent and the Issuer, and thereafter shall bear interest at a Variable Rate for each Variable Interest Accrual Period as determined by the Remarketing Agent on each Variable Interest Computation Date until adjusted to a Reset Rate or Fixed Rate as provided in the Indenture. Interest on the Bonds during any Variable Period shall be computed on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed.

The Variable Rate for each Variable Interest Accrual Period determined by the Remarketing Agent on each Variable Interest Computation Date shall be that rate of interest which, if borne by the Bonds, would, in the reasonable professional judgment of the Remarketing Agent, on the basis of prevailing financial market conditions, be the interest rate necessary, but which would not exceed the interest rate necessary, to be borne by the Bonds in order for the market value of the Bonds on such Variable Interest Computation Date to be equal to 100% of the principal amount thereof (disregarding accrued interest) if the Bonds were sold on such Variable Interest Computation Date; provided, however, that in no event shall the Variable Rate at any time exceed the Maximum Rate. If for any reason the Remarketing Agent shall fail to determine the rate of interest or if the rate of interest determined by the Remarketing Agent is held to be invalid or unenforceable for any Variable Interest Accrual Period, then the Variable Rate for such Variable Interest Accrual Period shall be the Index Rate in effect on the applicable Variable Interest Computation Date.

For each Variable Interest Accrual Period, the Variable Rate determined by the Remarketing Agent shall be communicated by facsimile or e-mail to the Trustee, the Tender Agent, the Borrower, the Servicer and the Credit Facility Provider as provided in the Indenture, on the Variable Interest Computation Date. The determination of the Variable Rate by the Remarketing Agent shall (in the absence of manifest error) be conclusive and binding on the Owners of the Bonds, the Issuer, the Borrower, the Credit Facility Provider, the Remarketing Agent, the Tender Agent, the Servicer and the Trustee, and each shall be protected in relying on it.

Adjustment of the Interest Rate on the Bonds

At the written request of the Borrower with the prior written consent of the Credit Facility Provider or at the written request of the Credit Facility Provider on behalf of the Borrower if the Borrower has not provided the Credit Facility Provider proof satisfactory to it of the extension or substitution of a Hedge Agreement satisfying the requirements of the Reimbursement Agreement not later than sixty days prior to the expiration of any Hedge Agreement, the rate of interest on the Bonds may be established at a Reset Rate on any Interest Payment Date during a Variable Period or on any Reset Adjustment Date, in accordance with the procedures set forth in the Indenture. Except as noted in the Indenture, the Trustee shall give notice to the Owners of the Bonds of the Reset Adjustment Date by first class mail not less than nine days before the Reset Adjustment Date. If (i) the Credit Facility to be in effect upon and after a Reset Adjustment Date or (ii) an irrevocable commitment described in the Indenture is not delivered to the Trustee in escrow at least fifteen days before the applicable Reset Adjustment Date, or if on any Business Day at least ten days before the applicable Reset Adjustment Date, the Trustee receives notice from the Borrower that it no longer wishes to proceed with adjustment to a Reset Rate or from the Remarketing Agent that a Market Risk Event has occurred, the Trustee shall not give the notice described above to the Owners of the Bonds. In the event that the Trustee receives notice from the Remarketing Agent that a Market Risk Event has occurred after giving the notice described above to the Owners of the Bonds, the Trustee shall notify the Owners of the Bonds that the Reset Adjustment Date, but not the mandatory tender of Bonds on the proposed Reset Adjustment Date, has been cancelled. In such event, the Bonds shall continue to bear interest at a Variable Rate if the Bonds then bear interest at a Variable Rate. Any Bond not tendered to the Tender Agent for purchase on a Reset Adjustment Date (including a canceled Reset Adjustment Date) shall be deemed to have been tendered for purchase on such Reset

Adjustment Date for all purposes of the Indenture; provided, however, payment on such Bonds shall only be made upon presentation thereof.

At the written request of the Borrower with the prior written consent of the Credit Facility Provider or at the written request of the Credit Facility Provider on behalf of the Borrower if the Borrower has not provided the Credit Facility Provider proof satisfactory to it of the extension or substitution of a Hedge Agreement satisfying the requirements of the Reimbursement Agreement not later than sixty days prior to the expiration of any Hedge Agreement, the rate of interest on the Bonds may be established at a Fixed Rate on any Interest Payment Date during a Variable Period or on the day following any Reset Period, in accordance with the procedures set forth in the Indenture. If (i) the Credit Facility to be in effect upon and after Fixed Rate Adjustment or (ii) an irrevocable commitment described in the Indenture is not delivered to the Trustee in escrow at least fifteen days before the Fixed Rate Adjustment Date, or if on any Business Day at least ten days before the Fixed Rate Adjustment Date, the Trustee receives notice from the Borrower to the effect that it no longer wishes to proceed with the Fixed Rate Adjustment, or the Trustee receives written notice from the Remarketing Agent that a Market Risk Event has occurred, the Trustee shall not give the notice specified in the Indenture to the Owners of the Bonds. In the event that the Trustee receives notice from the Remarketing Agent that a Market Risk Event has occurred after giving the notice specified in the Indenture to the Owners of the Bonds, the Trustee shall notify the Owners of the Bonds that the Fixed Rate Adjustment, but not the mandatory tender of Bonds on the proposed Fixed Rate Adjustment Date, has been cancelled. In such event, if the Bonds bear interest at a Variable Rate prior to the proposed Fixed Rate Adjustment Date, they shall continue to bear interest at a Variable Rate. The Trustee shall give notice to the Owners of the Bonds, by first class mail not less than nine days before the Fixed Rate Adjustment Date, specifying, among other things, that all Bonds must be tendered for purchase at the Purchase Price and surrendered to the Tender Agent for purchase not later than 9:30 a.m., Washington, D.C. time, on the Fixed Rate Adjustment Date that the Fixed Rate Adjustment Date (but not the mandatory tender of Bonds on the proposed Fixed Rate Adjustment Date) is subject to cancellation upon receipt by the Trustee of notice from the Remarketing Agent that a Market Risk Event has occurred. Any Bond not tendered to the Tender Agent for purchase on the Fixed Rate Adjustment Date (including a canceled Fixed Rate Adjustment Date) shall be deemed to have been tendered for purchase on such Fixed Rate Adjustment Date for all purposes of the Indenture; provided, however, payment on such Bonds shall only be made upon presentation thereof.

Demand for and Mandatory Purchase of the Bonds

Any Bonds (other than Purchased Bonds), or any units of principal amount thereof in Authorized Denominations, will be purchased from the proceeds of remarketing thereof as described in the Indenture or from the sources prescribed in the Indenture, (a) on demand of the owner of such Bond (or, so long as Bonds are in "book-entry-only" form, demand of a DTC participant, with respect to such Bonds) on any Business Day during a Variable Period, or (b) upon being tendered or deemed tendered pursuant to the Indenture, on any Reset Adjustment Date, Variable Rate Adjustment Date, the Fixed Rate Adjustment Date and any Substitution Date (even if such Reset Adjustment Date, Variable Rate Adjustment Date, Fixed Rate Adjustment Date or except as provided in the Indenture, Substitution Date for which notice has been given by the Trustee to the Bondholders fails to occur). The Bonds will be purchased for a Purchase Price equal to the principal amount thereof, or of any units thereof purchased in Authorized Denominations, plus interest accrued and unpaid thereon, if any, to the Settlement Date. The Bonds will be purchased upon (i) in the case of a purchase upon the demand of an owner or DTC participant, delivery to the Tender Agent, with a copy to the Trustee and the Remarketing Agent, of a written notice in the form set forth in the Indenture (a "Tender Notice") which states (A) the principal amount of such Bond for which payment is demanded, (B) that such demand is irrevocable and (C) the date on which such Bond or units of principal amount thereof in Authorized Denominations shall be purchased pursuant to the Indenture, which date shall be a Business Day not prior to the seventh day next succeeding the date of

the receipt of the Tender Notice by the Tender Agent; and (ii) in all cases, delivery of such Bond (with an appropriate transfer of registration form executed in blank and in form satisfactory to the Tender Agent) to the Tender Agent, at or prior to 9:30 a.m., Washington, D.C. time, on the Settlement Date. In the event that a depository is appointed pursuant to the Indenture and a "book-entry-only" system is in effect with respect to the Bonds, delivery of Bonds for purchase on the Settlement Date may be effected in the manner set forth by such depository.

Bonds with respect to which a Tender Notice has been delivered or which are subject to mandatory tender but are not delivered to the Tender Agent on or prior to 9:30 a.m., Washington, D.C. time, on the Settlement Date shall be deemed tendered and purchased for all purposes of the Indenture and interest shall cease to accrue on such Bonds on the related Settlement Date.

Payment of the Purchase Price of any Bond will be made on the Settlement Date by check or by wire transfer (if requested in writing by the Bondholder) or as designated in the Tender Notice with respect to such Bond, but only upon delivery and surrender of such Bond to the Tender Agent.

If the Trustee shall have received the items required by the Indenture, the Trustee shall not later than the ninth day before any such Reset Adjustment Date, Variable Rate Adjustment Date, Fixed Rate Adjustment Date or Substitution Date, notify the Bondholders by first class mail, that all Outstanding Bonds (other than Purchased Bonds) shall be subject to mandatory tender and if not so tendered, shall be deemed to have been tendered for purchase on each such Variable Rate Adjustment Date, Reset Adjustment Date, Fixed Rate Adjustment Date or Substitution Date at the Purchase Price. Such notices from the Trustee shall be treated as a Tender Notice for all purposes of the Indenture.

If all of the Bonds shall have been called for redemption during any Variable Period, the Bonds may continue to be remarketed until the redemption date, provided the purchasers of such Bonds are given notice of the call for redemption prior to purchase of any Bonds.

Anything in the Indenture to the contrary notwithstanding, no Bonds will be purchased or remarketed pursuant to the Indenture if an Event of Default under the Indenture (except as described in the Indenture) shall have occurred and be continuing and would not be cured as a result of such tender and remarketing of the Bonds or following a declaration of acceleration of the Bonds; nor will any Bond be purchased pursuant to the Indenture if such Bond is registered in the name of the Issuer, the Borrower or the Credit Facility Provider or known by the Trustee to be registered in the name of the general partner, member or guarantor of the Borrower, or any nominee of the Issuer, the Borrower, the Credit Facility Provider, or any such manager or guarantor (provided that the Trustee shall have no duty to inquire as to any such nominees) unless the Credit Facility will be in full force and effect with respect to such Bonds after such purchase.

Holders of Bonds shall be required to tender their Bonds to the Tender Agent on:

(i) any Reset Adjustment Date, Variable Rate Adjustment Date, or the Fixed Rate Adjustment Date in accordance with the provisions of the Indenture; and

(ii) any Substitution Date in accordance with and subject to the provisions of the Indenture.

Any Bond required to be tendered on a Reset Adjustment Date, a Variable Rate Adjustment Date, the Fixed Rate Adjustment Date or a Substitution Date which is not tendered as of such date shall be deemed to have been tendered to the Tender Agent on such date and shall thereafter cease to bear interest and no longer be considered to be Outstanding under the Indenture.

Purchase of Bonds Not Remarketed

In the event that the Tender Agent has not received notice of successful remarketing of tendered Bonds by the day which is one Business Day prior to the Settlement Date, or the proceeds of remarketing of any tendered Bond have not been received by the Tender Agent on or prior to 10:00 a.m., Washington, D.C. time on the Settlement Date, the Trustee will, within the time required by the terms of the Credit Facility, draw on the then existing Credit Facility in an amount sufficient to enable the Tender Agent to pay the Purchase Price of each such Bond. On each Settlement Date, the Trustee will pay or cause to be paid to the Tender Agent the Purchase Price of any Bonds tendered pursuant to, and in accordance with, the Indenture and which have not been remarketed pursuant to the Indenture, but only from (a) money obtained by the Trustee pursuant to the Credit Facility then in effect to enable the Trustee to pay the Purchase Price of such tendered Bonds, which amounts shall be transferred by the Trustee to the Tender Agent at or before 3:00 p.m., Washington, D.C. time, on the Settlement Date; and (b) Eligible Funds from the Borrower to the extent that money obtained pursuant to (a) above is insufficient on any date to pay the Purchase Price of tendered Bonds.

Upon receipt of such Purchase Price and upon receipt of the Bonds tendered for purchase pursuant to the Indenture, the Tender Agent shall pay such Purchase Price to the registered Holders thereof; provided, that if the Purchase Price was theretofore paid from the proceeds of a draw on the Credit Facility, the Tender Agent will pay such amount to the Credit Facility Provider. Any amounts drawn under the Credit Facility to purchase Bonds will be used solely for such purpose. Any Bonds so purchased with amounts drawn under the Credit Facility by the Trustee will be purchased for the account of the Borrower and registered as provided in the Pledge Agreement. Amounts drawn under the Credit Facility which are not used to purchase Bonds pursuant to the Indenture will be remitted by the Trustee or the Tender Agent to the Credit Facility Provider promptly upon payment of the Purchase Price of the Bonds.

Mandatory Tender of Bonds on Substitution Date

The Bonds will be subject to mandatory tender for purchase on any Substitution Date from the sources available under the Indenture at a Purchase Price equal to the principal amount thereof plus accrued and unpaid interest to the Substitution Date.

Upon receipt by the Trustee of (i) notice from the Borrower of a planned substitution, (ii) the aforementioned confirmation of the Credit Facility Provider, (iii) a form of the Alternate Credit Facility to be in effect on and after the Substitution Date and an irrevocable commitment to deliver such Alternate Credit Facility, (iv) a form of the disclosure document (if any) to be used in connection with the remarketing of the Bonds on the Substitution Date, and (v) a form of the documents required pursuant to the Financing Agreement, the Trustee shall establish the Substitution Date for the mandatory tender and purchase of the Bonds. Such Substitution Date shall be not less than five days following the Trustee's receipt of the Alternate Credit Facility to be in effect on and after the Substitution Date (which Alternate Credit Facility may be delivered in escrow), and such other required documents; provided, however, the Substitution Date may be at a later date if the Trustee has received a commitment to extend the existing Credit Facility or the existing Credit Facility will be in place for up to a time period of not less than fifteen days following the Trustee's receipt of the Alternate Credit Facility.

The Trustee shall give notice to the Holders of the Bonds, by first class mail not less than nine days before the Substitution Date stating: (a) the Substitution Date, and (b) that all Bonds must be surrendered to the Tender Agent for purchase not later than 9:30 a.m., Washington, D.C. time, on the Substitution Date.

Any Bond not tendered to the Tender Agent for purchase in accordance with the provisions of the Indenture on the Substitution Date (including any Substitution Date which fails to occur) will be deemed to have been tendered for purchase on such Substitution Date for all purposes of the Indenture; provided, however, payment on such Bonds will only be made upon presentation thereof.

Optional Redemption

During the Variable Period, the Bonds are subject to optional redemption with the prior written consent of the Credit Facility Provider, in whole or in part, upon optional prepayments on the Bond Mortgage Loan in accordance with the prepayment restrictions set forth in the Bond Mortgage Note and the Financing Agreement from payments made under the Credit Facility (subject to the limitations set forth in the Indenture) or other Eligible Funds deposited with the Trustee on any date, at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date. The Trustee shall effect any optional redemption of Bonds pursuant at the earliest practical date for which notice may be given under the Indenture but in no event later than thirty-five days following its receipt of money representing an optional prepayment of the Bond Mortgage Loan.

Mandatory Redemption

The Bonds are subject to mandatory redemption, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest to the redemption date, without premium, at the earliest practicable date from payments made under the Credit Facility upon the occurrence of any of the following:

(a) in whole or in part on any date, upon receipt by the Trustee of (1) proceeds of a draw under the Credit Facility, in the amount of the Rental Achievement Escrow Fund (as defined in the Rental Achievement Escrow Agreement) held by the Servicer or Net Proceeds representing casualty insurance proceeds or condemnation awards paid as a prepayment of the Bond Mortgage Loan, such amount to be applied to reimburse the Credit Facility Provider for the draw under the Credit Facility as a result of casualty or condemnation of the Development and (2) a written direction by the Credit Facility Provider to redeem such Bonds using money obtained as a result of a draw upon the Credit Facility; or

(b) in whole or in part on any date upon receipt by the Trustee of amounts from the Credit Facility Provider pursuant to the Credit Facility as a result of the occurrence of an event of default under any Bond Mortgage Loan Document and receipt by the Trustee of a written direction by the Credit Facility Provider to redeem the Bonds pursuant to the Credit Facility; or

(c) in whole, on the last Business Day which is not less than five days before the date of expiration of any Credit Facility unless the Trustee receives a renewal or extension or replacement for such Credit Facility meeting the requirements of the Financing Agreement or, in the case of a replacement of the Credit Facility in connection with a Reset Adjustment Date or the Fixed Rate Adjustment Date pursuant to the Indenture, an irrevocable commitment of an entity to issue an Alternate Credit Facility to be in effect upon and after such Reset Adjustment Date or Fixed Rate Adjustment Date, in each case not less than thirty days before the expiration of the then existing Credit Facility; or

(d) in part at the written direction of the Credit Facility Provider (i) on each Reset Adjustment Date, each Variable Rate Adjustment Date and on the Fixed Rate Adjustment Date in an amount not greater than the amount in the Principal Reserve Fund on the first day of the month

prior to such Reset Adjustment Date, Variable Rate Adjustment Date or the Fixed Rate Adjustment Date, as applicable, or (ii) on any Interest Payment Date during a Variable Period, in an amount not greater than the amount in the Principal Reserve Fund on the first day of the month prior to such Interest Payment Date; or

(e) in part on each Interest Payment Date, during any Reset Period or the Fixed Rate Period, with respect to the Bonds that have term maturities occurring during such Reset Period or Fixed Rate Period commencing on the first sinking fund mandatory redemption date established for the Bonds for such Reset Period or Fixed Rate Period as provided in the Indenture; provided if less than all the Bonds shall have been optionally redeemed or redeemed as described in paragraph (a) above, the amount of Bonds to be redeemed in each year from sinking fund installments as provided in the Indenture shall be decreased by an amount, in proportion, as nearly as practicable, to the decrease in the payments on the Bond Mortgage Loan in such year as determined by the Trustee; or

(f) in whole, on the day following any Reset Period if the Trustee has not received the items required by the Indenture to effect a new Reset Period or a Fixed Rate Adjustment or upon cancellation of a rate adjustment on a Reset Adjustment Date or upon cancellation of a Fixed Rate Adjustment to a Fixed Rate; or

(g) in part on any Interest Payment Date during a Variable Rate Period in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Interest Payment Date to the Redemption Fund pursuant to the terms of the Indenture.

Selection of Bonds for Redemption

The Trustee shall select Bonds subject to mandatory sinking fund redemption as described in paragraph (e) under the heading "Mandatory Redemption" above randomly within the appropriate maturity. If less than all the Bonds then Outstanding shall be called for redemption other than as a result of mandatory sinking fund redemption as described in paragraph (e) under the heading "Mandatory Redemption" above, the Trustee shall redeem an amount of Bonds so that the resulting decrease in debt service on the Bonds in each semiannual period ending on an Interest Payment Date is proportional, as nearly as practicable, to the decrease in the payments on the Bond Mortgage Note in each such semiannual period, and the Bonds shall be selected by lot within each maturity, the cost of such selection being at the Borrower's expense.

Bonds shall be redeemed only in Authorized Denominations.

In no event shall Purchased Bonds be subject to redemption without the prior written consent of the Credit Facility Provider.

Notice of Redemption

While the Bonds are part of the DTC book-entry system, notices of redemption will be given to Cede & Co. as the registered owner. DTC, in turn, is required to give notice of redemption in accordance with its procedures.

Notice of the intended redemption of the Bonds shall be given by the Trustee by first-class mail, postage prepaid, to the registered Holder at the address of such Holder shown on the Bond Register. All such redemption notices shall be given not less than ten days (not less than thirty days in the case of optional or mandatory sinking fund redemptions) nor more than sixty days prior to the date fixed for

redemption. The Trustee may provide a conditional notice of redemption upon the direction of the Credit Facility Provider or the Borrower (with the prior written consent of the Credit Facility Provider).

Notices of redemption shall state the redemption date and the redemption price, the place or places where amounts due upon such redemption will be payable, and, if less than all of the then Outstanding Bonds are called for redemption, shall state (a) the numbers of the Bonds to be redeemed by giving the individual certificate number of the Bonds to be redeemed or shall state that all Bonds between two stated certificate numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption; (b) the CUSIP numbers of all Bonds being redeemed if available; (c) the amount of the Bonds being redeemed (in the case of a partial redemption); (d) the date of issue of the Bond as originally issued; (e) the rate of interest borne by each Bond redeemed or that the Bonds bear interest at a Variable Rate; (f) the Maturity Date of the Bonds being redeemed; (g) the possibility of a purchase of Bonds in lieu of redemption, if applicable; (h) the conditions, if any, which must be satisfied in order for the redemption to take place on the scheduled date of redemption, including that Eligible Funds are available to pay any redemption premium on the Bonds; (i) any other descriptive information needed to identify accurately the Bonds being redeemed.

Each notice of redemption shall state that further interest on such Bonds will not accrue from and after the redemption date and that payment of the principal amount and premium, if any, will be made upon presentation and surrender of the Bonds at the Principal Office of the Trustee unless the Bonds are then held in a book entry only system of registration.

Notice of such redemption shall also be sent by certified mail, overnight delivery service, facsimile transmission or other secure means, postage prepaid, to the Credit Facility Provider, to the Servicer, the Rating Agency, all municipal registered Securities Depositories and at least two of the national Information Services that disseminate securities redemption notices, when possible, at least two days prior to the mailing of notices required by the second paragraph under this heading, and in any event no later than simultaneously with the mailing of notices required by the second paragraph under this heading; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds.

In addition to providing notice of redemption as set forth above, if the Bonds are no longer held in book-entry form, the Trustee shall send a second notice of redemption within sixty days following the redemption date, by certified mail, overnight delivery service, or other secure means, postage prepaid to the registered Holders of any Bonds called for redemption, at their addresses appearing on the Bond Register, who have not surrendered their Bonds for redemption within thirty days following the redemption date.

Failure to give notice by mailing to the registered Holder of any Bond designated for redemption or tender or to any depository or information service shall not affect the validity of the proceedings for the redemption of any other Bond if notice of such redemption shall have been mailed as provided in the Indenture.

Effect of Notice of Redemption

If a conditional notice of redemption has been provided pursuant to the terms of the Indenture and the conditions are not satisfied, such notice of redemption shall be of no force and effect and the Bondholders shall be restored to their former positions as though no such notice of redemption had been delivered. Notice of redemption having been given in the manner described above and if either there were no conditions to such redemption or the conditions have been satisfied (or in the event no such notice is required under the Indenture), and money for the redemption being held by the Trustee or Paying

Agent for that purpose, thereupon the Bonds so called for redemption shall become due and payable on the redemption date, and interest thereon shall cease to accrue on such date; and such Bonds shall thereafter no longer be entitled to any security or benefit under the Indenture except to receive payment of the redemption price thereof.

Purchase of Bonds in Whole in Lieu of Redemption

Notwithstanding anything in the Indenture to the contrary, at any time during which the Bonds are subject to redemption in whole pursuant to the provisions of the Indenture, all (but not less than all) of the Bonds to be redeemed may be purchased by the Trustee (for the account of the Borrower or the Credit Facility Provider or their respective designee, as directed by such party) on the date which would be the redemption date at the direction of the Credit Facility Provider or the Borrower, with the prior written consent of the Credit Facility Provider (which direction shall be given no later than 12:00 noon, Washington, D.C., time on such redemption date), at a purchase price equal to the redemption price which would have been applicable to such Bonds on the redemption date. The Bonds shall be purchased in lieu of redemption only from amounts provided by the Credit Facility Provider or from other Eligible Funds. In the event the Trustee is directed to purchase Bonds in lieu of redemption, no notice to the holders of the Bonds to be so purchased (other than the notice of redemption otherwise required under the Indenture) shall be required, and the Trustee shall be authorized to apply to such purpose the funds in the Redemption Fund which would have been used to pay the redemption price for such Bonds if such Bonds had been redeemed rather than purchased. Such Bonds purchased for the account of the Borrower shall for all purposes under the Indenture constitute Purchased Bonds held by the Custodian pursuant to the Pledge Agreement and may be remarketed by the Remarketing Agent in accordance with the provisions of the Indenture.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The following is a brief summary of certain provisions of the Indenture, the Financing Agreement and the Credit Enhancement Agreement relating to security and sources of payment for the Bonds. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Indenture, The Financing Agreement and the Credit Enhancement Agreement, copies of which are on file with the Trustee.

Trust Estate

Under the Indenture, the Issuer, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds according to their tenor and effect, the payment to Freddie Mac of the Freddie Mac Reimbursement Amount and the Freddie Mac Credit Enhancement Fee in accordance with the provisions of the Indenture and of the Credit Enhancement Agreement and the Reimbursement Agreement, or the payment of amounts due and owing to any other Credit Facility Provider following termination of the Credit Enhancement Agreement, and the performance and observance by the Issuer of all the covenants expressed or implied in the Indenture and in the Bonds, has granted, bargained, sold, conveyed, pledged and assigned a security interest to the Trustee in and to the following (referred to in the Indenture as the "Trust Estate"), the following:

- (a) all right, title and interest of the Issuer in and to all Revenues;
- (b) all right, title and interest of the Issuer in and to the Financing Agreement, the Bond Mortgage Note, the Bond Mortgage and the Credit Facility (other than the Unassigned Rights), including all extensions and renewals of the terms thereof, if any, including, but without limiting the generality of the foregoing, the present and continuing right to receive, receipt for,

collect or make claim for any of the money, income, revenues, issues, profits and other amounts payable or receivable thereunder, whether payable under the above-referenced documents or otherwise, to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Issuer or any other Person is or may become entitled to do under said documents; and

(c) except for funds, money or securities in the Cost of Issuance Fund, the Bond Purchase Fund, the Principal Reserve Fund, the Bond Mortgage Loan Fund, and the Rebate Fund, all funds, money and securities and any and all other rights and interests in property whether tangible or intangible from time to time by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture for the Bonds by the Issuer or by anyone on its behalf or with its written consent to the Trustee.

Limited Obligations

THE ISSUER HAS NOT REVIEWED AND IS NOT RESPONSIBLE FOR ANY INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, EXCEPT AS EXPRESSLY PROVIDED HEREIN.

ANY OBLIGATION WHICH THE ISSUER MAY INCUR UNDER THE INDENTURE OR UNDER ANY INSTRUMENT EXECUTED IN CONNECTION THEREWITH WHICH SHALL ENTAIL THE EXPENDITURE OF MONEY SHALL NOT BE A GENERAL OBLIGATION OF THE ISSUER BUT SHALL BE A LIMITED OBLIGATION PAYABLE SOLELY FROM THE TRUST ESTATE. THE BONDS SHALL CONSTITUTE A VALID CLAIM OF THE RESPECTIVE BONDHOLDERS THEREOF AGAINST THE TRUST ESTATE, WHICH IS PLEDGED TO SECURE THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS AND WHICH SHALL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THE INDENTURE. THE BONDS, TOGETHER WITH INTEREST THEREON, SHALL BE LIMITED OBLIGATIONS OF THE ISSUER GIVING RISE TO NO CHARGE AGAINST THE ISSUER'S GENERAL CREDIT AND PAYABLE SOLELY FROM, AND CONSTITUTE CLAIMS OF THE BONDHOLDERS THEREOF AGAINST ONLY, THE TRUST ESTATE. THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE DEBT OF THE ISSUER (EXCEPT TO THE EXTENT OF THE TRUST ESTATE), THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON, AND NOT IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THERETO. THE ISSUER HAS NO TAXING POWER.

No agreement or obligation contained in the Indenture shall be deemed to be an agreement or obligation of any governing board member, director, officer, agent or employee of the Issuer in his or her individual capacity, and no member of the governing board of the Issuer nor any officer executing any Bond shall be liable personally on such Bond or be subject to any personal liability or accountability by reason of the issuance thereof. No governing board member, director, officer, agent or employee of the Issuer shall incur any personal liability with respect to any other action taken by him or her pursuant to the Indenture.

THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, OR ANY AGENCY OF THE UNITED STATES OF AMERICA, OR FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR

BY FREDDIE MAC. PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS IS NOT GUARANTEED BY FREDDIE MAC. THE OBLIGATIONS OF FREDDIE MAC UNDER THE CREDIT ENHANCEMENT AGREEMENT ARE OBLIGATIONS SOLELY OF FREDDIE MAC AND ARE NOT BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

FREDDIE MAC'S OBLIGATIONS WITH RESPECT TO THE BONDS ARE SOLELY AS PROVIDED IN THE CREDIT ENHANCEMENT AGREEMENT. THE OBLIGATIONS OF FREDDIE MAC UNDER THE CREDIT ENHANCEMENT AGREEMENT WILL BE OBLIGATIONS SOLELY OF FREDDIE MAC, A SHAREHOLDER-OWNED, GOVERNMENT-SPONSORED ENTERPRISE ORGANIZED UNDER THE LAWS OF THE UNITED STATES OF AMERICA. FREDDIE MAC HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE BONDS, BUT WILL BE OBLIGATED, PURSUANT TO THE CREDIT ENHANCEMENT AGREEMENT, TO PROVIDE FUNDS TO THE TRUSTEE TO PAY THE PURCHASE PRICE OF THE BONDS UNDER THE CIRCUMSTANCES DESCRIBED HEREIN. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, ANY AGENCY THEREOF, OR OF FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC.

The Credit Enhancement Agreement

To provide security for the Bonds, Freddie Mac will enter into the Credit Enhancement Agreement with the Trustee. See "FREDDIE MAC." Pursuant to the Credit Enhancement Agreement, subject to certain requirements set forth therein, Freddie Mac is required to pay Guaranteed Payments with respect to the Bond Mortgage Loan relating to the Bonds when and in the amounts due, and the Purchase Price of the Bonds in accordance with the terms of the Indenture and Credit Enhancement Agreement. See Appendix C.

The Credit Enhancement Agreement will terminate in advance of the maturity date of the Bonds. The Bonds are subject to mandatory redemption as described herein unless the Credit Enhancement Agreement is renewed, or replaced as described herein. See "THE BONDS—Mandatory Redemption."

Drawings Under Credit Facility

The Credit Facility shall be held by the Trustee and drawn upon in accordance with its terms and the provisions of the Indenture. Money derived from draws upon the Credit Facility shall be deposited in the Credit Facility Account of the Revenue Fund and applied by the Trustee to pay the principal of and interest on the Bonds, and, in the event of a purchase of the Bonds, to pay, to the extent provided in the Credit Facility, the Purchase Price of the Bonds in accordance with the Indenture.

The Trustee shall draw money under the Credit Facility in accordance with the terms thereof when needed and in amounts sufficient to make timely payments of the principal of and interest, but not premium, on the Bonds when due and payable (i.e., on any Interest Payment Date, any Settlement Date, any redemption date or the Maturity Date). The Trustee shall not, however, be permitted to draw on the Credit Facility to pay principal of and interest on Purchased Bonds.

While the Bonds are bearing interest at the Variable Rate, should any Variable Interest Computation Date fall between the date of the draw on the Credit Facility and the next Interest Payment Date on the Bonds, the Trustee shall assume that the Bonds will bear interest at the Maximum Rate from such Variable Interest Computation Date to the next Interest Payment Date and shall draw on the Credit

Facility accordingly. In the event that the Maximum Rate exceeds the actual interest rate during such period, the excess interest shall be immediately returned to the Credit Facility Provider.

Should the Credit Facility Provider become the owner of the Development by foreclosure or otherwise, the Trustee shall nevertheless continue to make payments on the Bonds only from draws on the Credit Facility or from other Eligible Funds.

Alternate Credit Facility

The Borrower, with the prior written confirmation of the Credit Facility Provider that the provisions of the Reimbursement Agreement have been satisfied (but without the consent of the Issuer, Trustee or Bondholders) may, on any Interest Payment Date during a Variable Period, on any Reset Adjustment Date, or any Variable Rate Adjustment Date and on the Fixed Rate Adjustment Date (but no later than thirty days prior to the expiration date of the Credit Facility unless an irrevocable commitment to extend the Credit Facility has been delivered to the Trustee satisfying the requirements of the Indenture, if applicable), and, following the beginning of a Reset Period, on any Interest Payment Date occurring after the Bonds may first be optionally redeemed at a price of not greater than par plus accrued and unpaid interest to the redemption date and subject to the terms of the Credit Facility and Reimbursement Agreement, arrange for the delivery to the Trustee of an Alternate Credit Facility in substitution for the Credit Facility then in effect (referred to under this heading as "credit support") and, if applicable, for payment of the Purchase Price of Bonds delivered or deemed delivered in connection with an optional or mandatory tender of the Bonds (referred to under this heading as "liquidity support"); provided that, without the consent of the Borrower (and without the consent of the Issuer, Trustee or Bondholders), the Credit Facility Provider may provide any other form of "credit support" or "liquidity support" (or combination thereof) issued by the Credit Facility Provider in substitution for the then-existing Credit Facility (or any successor Credit Facility) if (A) the conditions of the Indenture are satisfied or (B)(i) the Rating Agency confirms in writing that such substitution will not adversely affect the current rating of the Bonds, (ii) the Credit Facility Provider delivers to the Issuer and the Trustee an opinion of counsel satisfying the requirements described in paragraph (c) below and (iii) such substitute "credit support" or "liquidity support" (or combination thereof) does not increase the amounts required to be paid by, or other obligations of, the Borrower. Any Alternate Credit Facility shall satisfy the following conditions, as applicable:

(a) An Alternate Credit Facility may be issued to provide only credit support or only liquidity support so long as a separate Credit Facility provides, at all times while such Alternate Credit Facility is in effect, complementary credit support or liquidity support, as the case may be, so that at all times while any of the Bonds bear interest at the Variable Rate or the Reset Rate such Bonds shall be entitled to credit support and to the liquidity support required by such mode; provided that in no event shall Freddie Mac be obligated to provide only liquidity or credit support if any Person other than Freddie Mac provides either liquidity or credit support. During the Fixed Rate Period, the Bonds shall be entitled to credit support only and no Alternate Credit Facility may be provided.

(b) The Alternate Credit Facility shall (i) be in an amount equal to the aggregate principal amount of the Bonds Outstanding from time to time plus the Interest Requirement (or otherwise provide coverage satisfactory to the Rating Agency); (ii) provide for payment in immediately available funds to the Trustee upon receipt of the Trustee's request for such payment with respect to any Interest Payment Date, purchase date (if applicable) or mandatory redemption date pursuant to the Indenture; (iii) if the Alternate Credit Facility is provided to secure Bonds during a Reset Period, provide an expiration date no earlier than the earliest of (A) the day following the Reset Adjustment Date immediately succeeding the Reset Period; (B) ten days after

the Trustee receives notice from the Credit Facility Provider of an Event of Default under the Financing Agreement or a default under and as defined in the Reimbursement Agreement and a direction to redeem all Outstanding Bonds; (C) the date on which all Bonds are paid in full and the Indenture is discharged in accordance with its terms; and (D) the date on which the Bonds become secured by an Alternate Credit Facility in accordance with the terms of the Indenture and the Reimbursement Agreement; (iv) unless waived by the Issuer in its sole discretion, result in the Bonds receiving a long-term rating or short-term rating, or both, as applicable for the mode then in effect, for the long term rating in one of the two highest rating categories of the Rating Agency without regard to pluses or minuses, and for the short term rating in the highest rating category of the Rating Agency without regard to pluses or minuses and (v) have a stated expiration or termination date not sooner than one year following its effective date.

(c) In connection with the delivery of an Alternate Credit Facility, the Trustee must receive (i) an opinion of counsel to the Credit Facility Provider issuing the Alternate Credit Facility, in form and substance satisfactory to the Issuer and the Trustee, relating to the due authorization and issuance of the Alternate Credit Facility, its enforceability, that the statements made relating to the Alternate Credit Facility and Reimbursement Agreement contained in any disclosure document or supplement to the existing disclosure document related to the Bonds are true and correct, that the Alternate Credit Facility is not required to be registered under the Securities Act of 1933, and if required by the Rating Agency, that payments made by the Credit Facility Provider pursuant to the Credit Facility will not be voidable under Section 547 of the Bankruptcy Code and would not be prevented by the automatic stay provisions of Section 362(a) of the Bankruptcy Code, in the context of a case or proceeding by or against the Borrower, a general partner of the Borrower or by the Issuer under the Bankruptcy Code; (ii) a Favorable Opinion of Bond Counsel; and (iii) the delivery of a continuing disclosure agreement if required by the Financing Agreement.

The Bonds are subject to mandatory tender in connection with the delivery of an Alternate Credit Facility. See "THE BONDS—Mandatory Tender of Bonds on Substitution Date."

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SOURCES AND USES OF FUNDS

The sources and uses of funds, exclusive of accrued interest, are estimated by the Borrower to be as follows:

SOURCES:

Bond Proceeds	\$14,000,000
Prior Bonds Fund Balances	412,685
LIHTC Investor Equity	566,992
Borrower Contribution	<u>1,721,695</u>
Total Sources	<u>\$16,701,372</u>

USES:

Payoff of Prior Bonds (Principal)	\$14,000,000
Accrued Interest on Prior Bonds	64,167
Earnout Reserve*	1,300,000
Servicer Fees and Expenses and Escrows; Title Costs	549,185
Payment to Swap Counterparty	276,000
Costs of Issuance	<u>512,020</u>
Total Uses	<u>\$16,701,372</u>

* The Borrower is required to deposit \$1,300,000 (the "Earnout Deposit") with the Servicer pursuant to the terms of the Rental Achievement Escrow Agreement. Provided that the Borrower is able to fulfill certain conditions set forth in the Rental Achievement Escrow Agreement (the "Earnout Conditions") to the satisfaction of the Servicer and Freddie Mac, the Earnout Deposit will be released to the Borrower. If however the Borrower is unable to meet the Earnout Conditions to the satisfaction of the Servicer and Freddie Mac, all or a portion of the Earnout Deposit may be applied to redeem Bonds (See the heading "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Mandatory Redemption").

FREDDIE MAC

The information presented under this caption "FREDDIE MAC" has been supplied by Freddie Mac. None of the Issuer, the Trustee, the Borrower or the Underwriter has independently verified such information, and none assumes responsibility for the accuracy of such information. The information is qualified in its entirety by reference to the Incorporated Documents, as defined below.

Freddie Mac is a shareholder-owned government-sponsored enterprise created on July 24, 1970 pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§ 1451-1459 (the "Freddie Mac Act"). Freddie Mac's statutory mission is (i) to provide stability in the secondary market for residential mortgages; (ii) to respond appropriately to the private capital market; (iii) to provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities); and (iv) to promote access to mortgage credit throughout the United States (including central cities, rural areas and underserved areas) by increasing the liquidity of mortgage financing. Neither the United States nor any agency or instrumentality of the United States is obligated, either directly or indirectly, to fund the mortgage purchase or financing activities of Freddie Mac or to guarantee Freddie Mac's securities or obligations.

Freddie Mac's principal business consists of the purchase of (i) first-lien, conventional residential mortgages subject to certain maximum loan limits and other underwriting requirements under the Freddie

Mac Act and (ii) securities backed by such mortgages. Freddie Mac finances its mortgage purchases and mortgage-backed securities purchases through the issuance of a variety of securities, primarily pass-through mortgage participation certificates and unsecured debt, as well as with cash and equity capital.

On September 7, 2008, the Director of the Federal Housing Finance Agency ("FHFA") appointed FHFA as conservator of Freddie Mac in accordance with the Federal Housing Finance Reform Act of 2008 (the "Reform Act") and the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. On September 7, 2008, in connection with the appointment of FHFA as conservator, Freddie Mac and the U.S. Department of the Treasury ("Treasury") entered into a Senior Preferred Stock Purchase Agreement. Also, pursuant to its authority under the Reform Act, Treasury announced that it has established the Government Sponsored Enterprise Credit Facility (a lending facility to ensure credit availability to Freddie Mac, Fannie Mae, and the Federal Home Loan Banks that will provide secured funding on an as needed basis under terms and conditions established by the Treasury Secretary to protect taxpayers) and a program under which Treasury will purchase Government Sponsored Enterprise (including Freddie Mac) mortgage-backed securities (MBS) in the open market. The announcements by FHFA and Treasury and descriptions of these programs are available at their respective websites: <http://www.OFHFO.gov> and <http://www.Treasury.gov>.

Freddie Mac registered its common stock with the U.S. Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (the "Exchange Act"), effective July 18, 2008. As a result, Freddie Mac files annual, quarterly and current reports, proxy statements and other information with the SEC. Prior to July 18, 2008, Freddie Mac prepared an annual Information Statement (containing annual financial disclosures and audited consolidated financial statements) and Information Statement Supplements (containing periodic updates to the annual Information Statement).

As described below, Freddie Mac incorporates certain documents by reference in this Official Statement, which means that Freddie Mac is disclosing information to you by referring you to those documents rather than by providing you with separate copies. Freddie Mac incorporates by reference in this Official Statement its proxy statement, and all documents that Freddie Mac files with the SEC pursuant to Section 13(a), 13(c) or 14 of the Exchange Act, after July 18, 2008 and prior to the completion of the offering of the related Bonds, excluding any information that Freddie Mac may "furnish" to the SEC but that is not deemed to be "filed." Freddie Mac also incorporates by reference its Registration Statement on Form 10, in the form declared effective by the SEC on July 18, 2008 (the "Registration Statement"). These documents are collectively referred to as the "Incorporated Documents" and are considered part of this Official Statement. You should read this Official Statement, in conjunction with the Incorporated Documents. Information that Freddie Mac incorporates by reference will automatically update information in this Official Statement. Therefore, you should rely only on the most current information provided or incorporated by reference in this Official Statement.

You may read and copy any document Freddie Mac files with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. These SEC filings are also available to the public from the SEC's web site at <http://www.sec.gov>.

Freddie Mac makes no representations as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility of performance of any project, or compliance with any securities, tax or other laws or regulations. Freddie Mac's role is limited to discharging its obligations under the Credit Enhancement Agreement.

FREDDIE MAC'S OBLIGATIONS WITH RESPECT TO THE BONDS ARE SOLELY AS PROVIDED IN THE CREDIT ENHANCEMENT AGREEMENT. THE OBLIGATIONS OF FREDDIE

MAC UNDER THE CREDIT ENHANCEMENT AGREEMENT WILL BE OBLIGATIONS SOLELY OF FREDDIE MAC, A SHAREHOLDER-OWNED, GOVERNMENT-SPONSORED ENTERPRISE ORGANIZED UNDER THE LAWS OF THE UNITED STATES OF AMERICA. FREDDIE MAC HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE BONDS, BUT WILL BE OBLIGATED, PURSUANT TO THE CREDIT ENHANCEMENT AGREEMENT, TO PROVIDE FUNDS TO THE TRUSTEE TO PAY THE PURCHASE PRICE OF THE BONDS UNDER THE CIRCUMSTANCES DESCRIBED HEREIN. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, ANY AGENCY THEREOF, OR OF FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC.

THE BORROWER, THE PROPERTY MANAGER AND THE DEVELOPMENT

The following information has been provided by the Borrower. None of the Issuer, the Trustee, Freddie Mac, the Servicer or the Underwriter have made any independent investigation regarding the information presented under this heading, nor have such parties verified the accuracy or completeness thereof, and none of the Issuer, the Trustee, Freddie Mac, the Servicer or the Underwriter assumes any responsibility or liability therefor.

The Borrower

The Borrower is Alta Cullen Limited Partnership, a Texas limited partnership. The Borrower was formed in 2005 for the purpose of acquiring, constructing and operating the Development. The Borrower has no other substantial business activities.

The general partner of the Borrower is Wood Alta Cullen, L.P., a Georgia limited partnership (the "General Partner"). The General Partner was formed to act as the general partner of the Borrower. The principals of the General Partner have a combined total of over 20 years of experience in the real estate market and have owned or had ownership interests in over 23 apartment projects, comprising a total of approximately 6,833 units in the State of Texas.

The Development

The Development is located at 3525 S. Sam Houston Pkwy in the City of Houston, Texas. Construction of the Development was completed in July of 2006. The Development consists of ten buildings with a cumulative size of approximately 306,472 square feet which includes 48 1-bedroom units, 108 2-bedroom units, 84 3-bedroom units, and also includes a clubroom/leasing/fitness/media center, a maintenance building, mail kiosk and approximately 461 automobile parking spaces for use by residential tenants (240 of these are carports).

The Project was completed in 2006. The Project had an average occupancy rate of 96% in 2007. As of September 1, 2008, the Project had an occupancy rate of 97%.

The table below sets forth a brief summary of the operating history of the Project for calendar year 2007 (the only year during which the Project has been fully operational), which was summarized from the Borrower's unaudited financial statements for the Project.

	2007
Total Gross Rental Revenue and Other Income	\$2,106,701
Less: Total Operating Expenses Before Depreciation	<u>\$1,253,355</u>

Net Operating Income (Cash Basis) Available for Debt Service

\$853,346

There can be no assurance that the revenues generated by the Development ("Development Revenues") will be sufficient in the future to pay the Development's operating expenses, debt service on the Bond Mortgage Note, the fees and expenses of the Trustee, fees of the Issuer and all other obligations of the Borrower with respect to the Development, the Bond Mortgage Loan and the Bonds (collectively, the "Development Obligations"). The Borrower's ability to pay Development Obligations may be materially and adversely affected to the extent that the Borrower is unable to increase Development Revenues by increasing rents or otherwise if expenses incurred in operating the Development are higher than anticipated or if occupancy of the Development decreases.

Under the terms and conditions of the Regulatory Agreement, at all times during the Qualified Project Period, 40% of the dwelling units will be rented to individuals with incomes that do not exceed 60% of the area median income. See "SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT." The Development is also subject to income and rent restrictions in connection with the sale of Low Income Housing Tax Credits relating to the Development. See "Low Income Housing Tax Credits" below.

The Property Manager

The Development will be managed by Lincoln Property Company (the "Property Manager"). The Property Manager was founded in 1965 and has been involved in the management of residential rental projects since 1965. The Property Manager has 3,483 full time employees. The Property Manager currently manages 350 apartment projects comprising a total of approximately 40,893 units located in the State of Texas.

Low Income Housing Tax Credits

In connection with the low-income housing tax credits granted for the Development, the Borrower has previously executed a low-income housing agreement in compliance with the requirements of Section 42 of the Code (the "Low-Income Housing Agreement"). The Low-Income Housing Agreement requires the low-income housing tax credit income targeting and rent restrictions for the Development under Section 42 of the Code for thirty years, subject only to a few exceptions. The Low-Income Housing Agreement for the Development requires, among other things, that 100% of the completed and occupied dwelling units in the Development (other than one unrestricted manager's unit) be occupied by tenants whose gross income is at or below 60% of area median gross income and that units be rent-restricted so that the gross rent, including utilities, does not exceed 30% of the applicable qualifying income for a family of its size throughout the extended use period as defined in the Code.

Limited Recourse to Borrower

Neither the Borrower nor its members have been nor will they be (subject to certain exceptions to nonrecourse liability set forth in the Bond Mortgage Note and the Bond Mortgage) personally liable for payments on the Bond Mortgage Note, the payments on which are to be applied to pay the principal of and interest on the Bonds; nor will the Borrower or the general partner of the Borrower be (subject to certain exceptions to nonrecourse liability set forth in the Bond Mortgage Note and the Bond Mortgage) personally liable under the other documents executed in connection with the offering of the Bonds and the making of the Bond Mortgage Loan. Furthermore, no representation is made that the Borrower will have

substantial funds available for the Development. Accordingly, neither the Borrower's financial statements nor those of its members are included in this Official Statement.

THE SERVICER

The following information has been provided by the Servicer. None of the Issuer, the Trustee, the Borrower, Freddie Mac or the Underwriter have made any independent investigation regarding the information presented under this heading, nor have such parties verified the accuracy or completeness thereof, and none of the Issuer, the Trustee, the Borrower, Freddie Mac or the Underwriter assumes any responsibility or liability therefor.

The Servicer will perform mortgage servicing functions with respect to the Bond Mortgage Loan on behalf of and in accordance with Freddie Mac requirements. The servicing arrangements between Freddie Mac and the Servicer for servicing the Bond Mortgage Loan are solely between Freddie Mac and the Servicer and neither the Issuer nor the Trustee is deemed to be a party thereto or has any claim, right, obligation, duty or liability with respect to the servicing of the Bond Mortgage Loan.

The Servicer will be obligated, pursuant to its arrangements with Freddie Mac and Freddie Mac's servicing requirements, to perform diligently all services and duties customary to the servicing of mortgages, as well as those specifically prescribed by Freddie Mac. Freddie Mac will monitor the Servicer's performance and has the right to remove the Servicer with or without cause. The duties performed by the Servicer include general loan servicing responsibilities, collection and remittance of principal and interest payments, administration of mortgage escrow accounts and collection of insurance claims.

CERTAIN BONDHOLDERS' RISKS

The following is a summary of certain risks associated with the purchase of the Bonds. This summary is not intended to be a comprehensive list of the risk factors associated with the Bonds. The Bonds are to be payable from payments to be made by the Borrower under the Bond Mortgage Note. The Borrower's obligation to make such payments pursuant to the Financing Agreement and the Bond Mortgage Note is nonrecourse and secured only by the Bond Mortgage. The Borrower's ability to make such payments is subject to financial conditions applicable to the Borrower and the Development which may change in the future to an extent that cannot be determined at this time.

No Borrower Personal Liability

The Borrower has not been nor will it be (subject to certain exceptions to non-recourse liability for the benefit of Freddie Mac set forth in the Reimbursement Agreement and the Reimbursement Mortgage) personally liable for payments on the Bond Mortgage Loan, nor will the Borrower be (subject to certain exceptions to non-recourse liability set forth in the Bond Mortgage and subject to certain exceptions to non-recourse liability set forth in the Financing Agreement with respect to the Issuer and the payment of the rebate amount) personally liable under the other documents executed in connection with the Bonds and the making of such Bond Mortgage Loan. All payments on the Bond Mortgage Loan are expected to be derived from revenues generated by the Development.

Limited Security

THE ISSUER HAS NOT REVIEWED AND IS NOT RESPONSIBLE FOR ANY INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, EXCEPT AS EXPRESSLY PROVIDED HEREIN. THE BONDS, TOGETHER WITH INTEREST THEREON, SHALL BE A

LIMITED OBLIGATION OF THE ISSUER GIVING RISE TO NO CHARGE AGAINST THE ISSUER'S GENERAL CREDIT AND PAYABLE SOLELY FROM, AND CONSTITUTE CLAIMS OF THE BONDHOLDER HEREOF AGAINST ONLY, THE TRUST ESTATE. THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE DEBT OF THE ISSUER (EXCEPT TO THE EXTENT OF THE TRUST ESTATE), THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON, AND IN NO EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THERETO. THE ISSUER HAS NO TAXING POWER.

No Acceleration or Early Redemption Upon Loss of Tax Exemption on the Bonds

THE BONDS ARE NOT SUBJECT TO ACCELERATION OR REDEMPTION (UNLESS FREDDIE MAC SHALL CAUSE, IN ITS SOLE DISCRETION, SUCH REDEMPTION), AND THE RATE OF INTEREST ON THE BONDS IS NOT SUBJECT TO RETROACTIVE ADJUSTMENT, BY REASON OF THE INTEREST ON THE BONDS BEING INCLUDED IN GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION. Such event could occur if the Borrower (or any subsequent owner of the Development) does not comply with the provisions of the Financing Agreement or the Regulatory Agreement which are designed, if complied with, to satisfy the continuing compliance requirements of the Code, in order for the interest on the Bonds to be excludable from gross income for purposes of federal income tax. Under such circumstances, interest on the Bonds might become subject to federal income taxation retroactive to the date of issuance or some other subsequent date. See "SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT" and "TAX MATTERS."

Enforceability and Bankruptcy

The remedies available to the Trustee and the holders of the Bonds upon an event of default under the Financing Agreement, the Credit Enhancement Agreement or the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay.

Under existing laws and judicial decisions, the remedies provided under the aforesaid documents may not readily be available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds and the aforesaid documents will be qualified to the extent that the enforceability of certain legal rights related to the Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Early Redemption and Mandatory Tender

A variety of other factors described herein will result in an early redemption or mandatory tender of the Bonds. The possibility of an early redemption or tender could affect the value of the Bonds. See "THE BONDS—Optional Redemption," "—Mandatory Redemption" "—Demand for and Mandatory Purchase of the Bonds" and "—Mandatory Tender of Bonds on Substitution Date."

Performance of the Development

No assurance can be given as to the future performance of the Development. The economic feasibility of the Development depends in large part upon the ability of the Borrower to attract sufficient numbers of residents and to maintain substantial occupancy at projected rent levels throughout the term of the Bonds. Occupancy of the Development may be affected by competition from existing housing

facilities or from housing facilities which may be constructed in the area served by the Development (including facilities constructed by affiliates of the General Partner). Neither the Issuer nor the Underwriter has independently reviewed the feasibility of the Development and neither makes any representation that the Development will be able to generate sufficient income for the Borrower to make its debt service payments under the Bond Mortgage Note or other payment obligations of the Borrower under the Bond Documents or the Bond Mortgage Loan Documents and its operating expenses. Restrictions imposed under the Code on tenant income and the rent that can be charged could have an adverse effect on the Borrower's ability to satisfy its obligations under the Bond Mortgage Loan Documents, especially if operating expenses should increase beyond what the Borrower had anticipated. A default by the Borrower under the Financing Agreement, including the failure by the Borrower to pay on the date due any amounts required to be paid by the Borrower under the Financing Agreement, the Bond Mortgage Note, the Security Agreement or the Reimbursement Agreement, may result in a mandatory redemption of the Bonds. No premium will be paid on the Bonds in the event of such a redemption. See "THE BONDS—Mandatory Redemption" and "THE BORROWER, THE PROPERTY MANAGER AND THE DEVELOPMENT."

Normal Risks Attending Any Investment in Real Estate

There are many diverse risks attending any investment in real estate, which may have a substantial bearing on the profitability and financial feasibility of the Development, and which may affect the realizable value of the real estate and other collateral securing payment of the Bonds. Such risks include possible adverse use of adjoining land, fire or other casualty, condemnation, increased taxes, changes in demand for such facilities, increases in utility rates, adverse general and local economic conditions, energy shortages, a decline in property values, increases in operating costs, non-compliance of the tenants with the terms of their leases, unfavorable government regulation and uninsurable risks, construction strikes and decrease in the relative popularity of real estate investments as contrasted with other investments. These risks cannot be controlled by the Borrower.

Environmental Matters

There are potential risks relating to environmental liability associated with the ownership of any property. If hazardous substances are found to be located on a property, the owners of such property may be held liable for costs and other liabilities relating to such hazardous substances. In the event of a foreclosure of the Development or active participation in the management of the Development by the Trustee on behalf of the Bondholders, the Trustee (and, indirectly, the Bondholders) may be held liable for costs and other liabilities related to hazardous substances, if any, on the site of the Development on a strict liability basis and such costs might exceed the value of such property.

Vacancies

The economic feasibility of the Development depends in large part upon its being substantially occupied. Although representatives of the Borrower believe, based on surveys of the area where the Development is located, that a substantial number of persons currently need housing facilities such as the Development, occupancy of the Development may be affected by competition from existing housing facilities or from housing facilities which may be constructed in the area served by the Development, including new housing facilities which the Borrower, or its affiliates, may construct. No assurance can be given that there may not be difficulties in keeping it substantially occupied in future years.

Estimated Development Expenses; Management

The success of the Development depends upon economic conditions, successful management of the Development and other factors. Furthermore, should management of the Development in the future prove to be inefficient, increases in operating expenses might exceed increases in rents which can be supported by market conditions. The economic feasibility of the Development also depends to a large extent on operating expenses. No assurances can be given that money available to the Borrower from operation of the Development will be sufficient to make the required payments on the Bond Mortgage Note.

Competing Facilities

The Issuer, affiliates of the Borrower and others, have and may continue to develop, construct and/or operate other facilities that could compete with the Development for tenants. Any competing facilities, if so constructed, could adversely affect occupancy of the Development.

The Credit Enhancement Agreement

Freddie Mac will issue the Credit Enhancement Agreement which will authorize the Trustee to draw on the Credit Enhancement Agreement, in accordance with the terms and conditions set forth in the Credit Enhancement Agreement. The Credit Enhancement Agreement is the Bondholders' expected source of payment of principal of and interest on, and the Purchase Price of, the Bonds. Certain information with respect to Freddie Mac and the Credit Enhancement Agreement is included in this Official Statement under the headings "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "FREDDIE MAC" and Appendix C. Prospective purchasers of the Bonds should analyze the credit and liquidity qualifications of Freddie Mac, in making any investment decision regarding the Bonds. In the event Freddie Mac is unable to pay the principal of and interest on the Bonds as such payments become due, the Bonds will be payable solely from money received by the Trustee pursuant to the Bond Mortgage Note.

The Credit Enhancement Agreement will terminate in advance of the maturity date of the Bonds. See Appendix C. The Bonds are subject to mandatory redemption as described herein unless the Credit Enhancement Agreement is renewed, or replaced as described herein. See "THE BONDS—Mandatory Redemption."

Risks While in Variable Rate Mode

While the Bonds are in the Variable Rate mode (a) they are subject to optional redemption on any Interest Payment Date without premium, and (b) the interest rate borne by the Bonds is reset weekly, subject to the Maximum Rate.

Additional Bonds and Subordinate Financing

The Borrower may obtain additional financing for the Development at a future date. Such additional financing could be in the form of additional bonds issued by the Issuer. Additional Bonds could be issued on a parity basis with the Bonds pursuant to a supplemental trust indenture provided that the issuance thereof was not materially adverse to the interest of the Bondholders. Such additional financing could also be in the form of a conventional loan the payment obligations with respect to which would be subordinate to or in some cases could be on parity with the Borrower's payment obligations under the Bond Mortgage Loan. In either case, the increased repayment obligations of the Borrower could increase the likelihood of an early redemption of the Bonds. Any such redemption would be at a

price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Indenture, a copy of which is on file with the Trustee.

Establishment of Funds

The Trustee shall establish, maintain and hold in trust the following funds and accounts, each of which shall be disbursed and applied only as herein authorized:

- (a) Revenue Fund, and within the Revenue Fund a General Account and a Credit Facility Account;
- (b) Bond Fund and within the Bond Fund a Purchased Bonds Account;
- (c) Bond Mortgage Loan Fund;
- (d) Redemption Fund;
- (e) Administration Fund;
- (f) Cost of Issuance Fund;
- (g) Principal Reserve Fund;
- (h) Rebate Fund; and
- (i) Bond Purchase Fund.

The Trustee shall, at the written direction of an authorized representative of the Issuer, and may, in its discretion, establish such additional accounts within any Fund, and subaccounts within any of the accounts, as the Issuer or the Trustee may deem necessary or useful for the purpose of identifying more precisely the sources of payments into and disbursements from that Fund and its accounts, or for the purpose of complying with the requirements of the Code relating to arbitrage, but the establishment of any such account or subaccount shall not alter or modify any of the requirements of the Indenture with respect to a deposit or use of money in the funds established under the Indenture, or result in commingling of funds not permitted under the Indenture.

Revenue Fund

All Revenues shall be deposited by the Trustee, promptly upon receipt thereof, to the General Account of the Revenue Fund, except (i) the proceeds of the Bonds received by the Trustee on the Delivery Date, which shall be applied in accordance with the provisions of the Indenture, (ii) amounts paid pursuant to the Credit Facility, which shall be deposited in the Credit Facility Account; (iii) the Bond Fee Component received from the Servicer or the Borrower, which shall be deposited to the Administration Fund; (iv) as otherwise specifically provided in the Indenture with respect to certain deposits into the Redemption Fund; (v) as otherwise specifically provided in the Indenture with respect to

deficiencies in the Administration Fund; (vi) with respect to investment earnings to the extent required under the terms of the Indenture to be retained in the funds and accounts to which they are attributable; and (vii) with respect to amounts required to be transferred between funds and accounts as provided in the Indenture.

On each Interest Payment Date or any other date on which payment of principal of or interest on the Bonds becomes due and payable, the Trustee, out of money in the Credit Facility Account and the General Account of the Revenue Fund, will credit the following amounts to the following funds, but in the order and within the limitations indicated in the Indenture with respect thereto, as follows:

FIRST, to the Bond Fund from money in the Credit Facility Account of the Revenue Fund, an amount equal to the principal of and interest due on the Bonds on such date (excluding principal or interest on any Purchased Bonds and excluding the principal constituting a mandatory sinking fund payment on any Bonds on such date); and

SECOND, to the Redemption Fund from money in the Credit Facility Account of the Revenue Fund, an amount equal to the principal amount due and payable on the Bonds with respect to mandatory sinking fund redemption (excluding principal of any Purchased Bonds) on such date; and

THIRD, to the Redemption Fund from money in the Credit Facility Account (i) amounts paid to the Trustee under the Credit Facility to be applied to the mandatory redemption of all or a portion of the Bonds as described under the heading "THE BONDS—Mandatory Redemption"; and (ii) amounts paid to the Trustee pursuant to the Credit Facility to be applied to the optional redemption of all or a portion of the Bonds as described under the heading "THE BONDS—Optional Redemption"; and

FOURTH, to the Purchased Bonds Account in the Bond Fund from money in the General Account, an amount equal to the interest due on the Purchased Bonds on such date.

The Trustee will deposit directly to the Redemption Fund (a) Net Proceeds representing casualty insurance proceeds or condemnation awards paid as a prepayment of the Bond Mortgage Loan, such amount to be applied to reimburse the Credit Facility Provider for a draw under the Credit Facility in such amount to provide for extraordinary mandatory redemption of all or a portion of the Bonds pursuant to the Indenture; (b) Eligible Funds (other than draws under the Credit Facility) paid to the Trustee to be applied to the optional redemption of all or a portion of the Bonds pursuant to the Indenture; and (c) Eligible Funds (other than draws under the Credit Facility) paid to the Trustee to be applied to the payment of any redemption premium in connection with an optional redemption of all or a portion of the Bonds pursuant to the Indenture.

Should the amount in the Bond Fund be insufficient to pay the amount due on the Bonds on any given Interest Payment Date or other payment date after the transfers from the Credit Facility Account, the Trustee will credit to the Bond Fund the amount of such deficiency by charging the following Funds and Accounts in the following order of priority: (a) the General Account of the Revenue Fund; (b) the Administration Fund; (c) the Redemption Fund, except no such charge to the Redemption Fund will be made from money to be used to effect a redemption for which notice of redemption has been provided for or from money which is held for payment of Bonds which are no longer Outstanding under the Indenture; and (d) at the written direction of the Credit Facility Provider, the Principal Reserve Fund.

Bond Fund

The Trustee will charge the Bond Fund, on each Interest Payment Date, an amount equal to the unpaid interest and principal due on the Bonds on such Interest Payment Date, and will cause the same to be applied to the payment of such interest and principal when due (excluding principal on any Purchased Bond). Amounts paid pursuant to the immediately preceding sentence for interest due on Purchased Bonds shall be paid from the Purchased Bonds Account of the Bond Fund. Any money remaining in the Bond Fund on any Interest Payment Date after application as provided in the preceding sentence may, to the extent there shall exist any deficiency in the Redemption Fund to redeem Bonds called for mandatory sinking fund redemption on such Interest Payment Date, be transferred to the Redemption Fund to be applied for such purpose. Any balance remaining in the Bond Fund on the Business Day immediately succeeding an Interest Payment Date will be transferred to the Servicer for payment to the Credit Facility Provider to be applied in accordance with the Reimbursement Agreement.

Income realized from the investment or deposit of money in the Bond Fund will be deposited by the Trustee upon receipt in the General Account of the Revenue Fund.

Redemption Fund

Any money credited to the Redemption Fund shall be applied as described under the heading "Revenue Fund" above provided, however, that amounts transferred to the Redemption Fund as described under the heading "Principal Reserve Fund" shall be applied to the reimbursement of the Credit Facility Provider for amounts drawn under the Credit Facility in a like amount; and provided further, that to the extent any money credited to the Redemption Fund from Eligible Funds (other than draws under the Credit Facility) is in excess of the amount necessary to effect the redemptions described under the heading "Revenue Fund" above, it will be applied to make up any deficiency in the Bond Fund on any Interest Payment Date, to the extent money then available in the General Account of the Revenue Fund and the Administration Fund are insufficient to make up such deficiency, provided that no money to be used to effect a redemption for which a conditional notice of redemption, the conditions of which have been satisfied, or an unconditional notice of redemption has been provided or money which are held for payment of Bonds which are no longer Outstanding under the Indenture will be so transferred to the Bond Fund.

On or before each Interest Payment Date, the income realized from the investment of money in the Redemption Fund will be credited to the General Account of the Revenue Fund.

Administration Fund

Amounts in the Administration Fund shall be withdrawn or maintained, as appropriate, by the Trustee and used FIRST, in accordance with the Indenture, to make up any deficiency in the Bond Fund on any Interest Payment Date, to the extent money then available in the General Account of the Revenue Fund are insufficient to make up such deficiency; SECOND, to pay to the Trustee when due the Ordinary Trustee's Fees and Expenses; THIRD, to pay the Issuer when due the Issuer's Fee and the Asset Oversight Agent's Fee; FOURTH, to pay the reasonable fees and expenses of a Rebate Analyst when due in connection with the computations relating to arbitrage rebate required under the Indenture and the Financing Agreement upon receipt of an invoice from the Rebate Analyst; FIFTH to deposit to any Custodial Escrow Account any deficiency in the amount held therein as certified in writing by the Servicer (or subsequent holder of the account) to the Trustee; SIXTH, to pay to the Remarketing Agent any unpaid portion of the Remarketing Agent Fee owed to it; SEVENTH, to pay to the Trustee any Extraordinary Trustee's Fees and Expenses due and payable from time to time, as set forth in an invoice submitted to the Issuer and Freddie Mac; EIGHTH, to pay to the Issuer any extraordinary expenses it may

incur in connection with the Bonds or the Indenture from time to time, as set forth in an invoice submitted to the Trustee and Freddie Mac; NINTH, to pay to the Credit Facility Provider any unpaid portion of the amounts due under the Reimbursement Agreement, as certified in writing by the Credit Facility Provider to the Trustee; TENTH, to pay to the Servicer any unpaid portion of the Ordinary Servicing Fees and Expenses and any Extraordinary Servicing Fees and Expenses due and owing from time to time, as set forth in an invoice submitted to the Trustee and Freddie Mac; ELEVENTH, to make up any deficiency in the Redemption Fund on any redemption date of Bonds, to the extent money then available in accordance with the Indenture in the Redemption Fund are insufficient to redeem Bonds called for redemption on such redemption date; TWELFTH, to pay to the Rating Agency when due the annual rating maintenance fee, if any; and THIRTEENTH, to transfer any remaining balance after application as aforesaid to the General Account of the Revenue Fund.

In the event that the amounts on deposit in the Administration Fund are not equal to the amounts payable from the Administration Fund as provided in the preceding paragraph on any date on which such amounts are due and payable, the Trustee will give notice to the Borrower of such deficiency and of the amount of such deficiency and request payment within two Business Days to the Trustee of the amount of such deficiency. Upon payment by the Borrower of such deficiency, the amounts for which such deficiency was requested shall be paid by the Trustee.

On or before each Interest Payment Date, the income realized from the investment of money in the Administration Fund will be credited by the Trustee to the General Account of the Revenue Fund.

Principal Reserve Fund

There shall be deposited into the Principal Reserve Fund the Principal Reserve Schedule Payments. Any interest earned on or profits realized from amounts on deposit in the Principal Reserve Fund shall be deposited into the Principal Reserve Fund and, provided that the Trustee has not received notice from the Servicer of a deficiency in the Principal Reserve Fund, the Hedge Fee Escrow or other Custodial Escrow Account, and there is no deficiency in the Administration Fund or the Rebate Fund, and the Trustee has not received notice that a default exists under any of the Bond Mortgage Loan Documents, shall be paid to the Borrower on the Interest Payment Date next succeeding receipt of such interest or profits by the Trustee. In addition, there shall be deposited into the Principal Reserve Fund remarketing proceeds relating to Purchased Bonds, which shall be used to reimburse the Credit Facility Provider in an amount equal to the amount of any Liquidity Advance paid to the Trustee to purchase Bonds on any Settlement Date.

At the direction of the Credit Facility Provider, amounts on deposit in the Principal Reserve Fund shall be used by the Trustee to pay any amounts required to be paid by the Borrower under any Bond Mortgage Loan Document, to pay any amounts owed to the Credit Facility Provider in connection with any loan purchased by the Credit Facility Provider and secured by the Development, or to pay any other amount agreed to in writing by the Borrower and the Credit Facility Provider; provided that the amounts on deposit in the Principal Reserve Fund shall, upon the occurrence of an event of default under any Bond Mortgage Loan Document, be used in any manner and for any purpose specified by the Credit Facility Provider.

Amounts in the Principal Reserve Fund will not exceed at any time the least of (a) ten percent of the stated principal amount of the Bonds (or sale proceeds in the event that the amount of original issue discount exceeds two percent multiplied by the stated redemption price at maturity of the Bonds), (b) the maximum annual principal and interest requirement of the Bonds, and (c) 125 percent of the average annual principal and interest requirements of the Bonds.

On each Reset Adjustment Date, Variable Rate Adjustment Date and on the Fixed Rate Adjustment Date, amounts on deposit in the Principal Reserve Fund shall be used to reimburse the Credit Facility Provider in an amount equal to any Guaranteed Payment made by the Credit Facility Provider to the Trustee under the Credit Facility to redeem Bonds in Authorized Denominations pursuant to the Indenture.

On any Interest Payment Date, to the extent of any deficiency in the Bond Fund, to the extent money then available in accordance with the Indenture in the General Account of the Revenue Fund, the Administration Fund and the Redemption Fund are insufficient to make up such deficiency, at the direction of the Credit Facility Provider, amounts on deposit in the Principal Reserve Fund shall be transferred to the Bond Fund in the amount of such deficiency.

During a Variable Rate Period, if the aggregate amount on deposit in the Principal Reserve Fund on the 15th day of any month equals or exceeds \$100,000, an amount equal to the amount on deposit in the Principal Reserve Fund (rounded downward to the nearest integral multiple of \$100,000) shall be transferred to the Redemption Fund to reimburse the Credit Facility Provider for amounts drawn under the Credit Facility to effect redemptions of Bonds as described in subsection (g) under the heading "Mandatory Redemption" on the next earliest Interest Payment Date for which notice of redemption as described under the heading "Notice of Redemption" can be given.

Any amounts remaining in the Principal Reserve Fund after payment in full of the principal of and interest on the Bonds shall be applied as described under the heading "Amounts Remaining in Funds" below.

Bond Mortgage Loan Fund

The Trustee shall establish, maintain and hold in trust a Bond Mortgage Loan Fund. Money on deposit in the Bond Mortgage Loan Fund shall remain uninvested. No amount shall be charged against the Bond Mortgage Loan Fund except as expressly provided in the Indenture.

The proceeds of the sale of the Bonds shall be delivered to the Trustee on the Delivery Date. The Trustee shall deposit such proceeds to the credit of the Bond Mortgage Loan Fund. Amounts in the Bond Mortgage Loan Fund shall be disbursed as provided below. Upon the disbursement of all amounts in the Bond Mortgage Loan Fund, the Trustee shall close the Bond Mortgage Loan Fund.

The Issuer shall cause the Borrower to deliver to the Trustee, on or prior to the Delivery Date, \$512,019.64 for deposit to the credit of the Cost of Issuance Fund established pursuant to the Indenture.

Upon the deposit of moneys to the credit of the Bond Mortgage Loan Fund, the Issuer shall originate the Bond Mortgage Loan pursuant to the Financing Agreement and the Trustee shall immediately transfer all proceeds of the Bonds from the Bond Mortgage Loan Fund to the trustee for the Prior Bonds, together with money provided from the Borrower for deposit under the Prior Indenture, to redeem and repay all of the Prior Bonds outstanding and all accrued interest and premium, if any, due thereon, all in accordance with the provisions of the Prior Indenture, and following such transfer, shall close the Bond Mortgage Loan Fund.

Investment of Funds

Any money attributable to each of the funds and accounts under the Indenture (except the Principal Reserve Fund, the investment of which is provided in the Indenture, and the Bond Purchase Fund, the investment of which is provided for in the Indenture) will be invested by the Trustee, at the

written direction of the Borrower, in Qualified Investments which mature on the earlier of (a) six months from the date of investment, and (b) the date such money is needed; provided, that if the Trustee enters into any investment agreement requiring investment of money in any fund or account under the Indenture in accordance with such investment agreement and if such investment agreement constitutes a Qualified Investment, such money will be invested in accordance with such requirements; and provided, further, that amounts in the Credit Facility Account of the Revenue Fund will be held uninvested or will be invested only in Government Obligations or in Qualified Investments of the type described in subparagraph (g) of the definition thereof, which, in any case, will mature or be subject to tender or redemption at par on or prior to the earlier of: (i) thirty days from the date of investment, or (ii) the date such money is required to be applied pursuant to the provisions of the Indenture. Except as otherwise provided in the preceding sentence, in the absence of the written direction of the Borrower, the Trustee will invest amounts on deposit in the funds and accounts established under the Indenture in investments described in subparagraph (g) of the definition of Qualified Investments. Such investments may be made through the investment or securities department of the Trustee. All such Qualified Investments purchased with money in any fund or account under the Indenture are required to mature, or be subject to redemption or withdrawal without discount or penalty at the option of the Trustee, prior to the next succeeding Interest Payment Date.

Amounts on deposit in the Principal Reserve Fund shall be invested and reinvested by the Trustee, as provided in the Reimbursement Agreement.

Qualified Investments representing an investment of money attributable to any fund or account will be deemed at all times to be a part of said fund or account, and, except as otherwise may be provided expressly in the Indenture, the interest thereon and any profit arising on the sale thereof will be credited to the General Account of the Revenue Fund, and any loss resulting on the sale thereof will be charged against the General Account of the Revenue Fund. Such investments will be sold at the best price obtainable (at least par) whenever it is necessary so to do in order to provide money to make any transfer, withdrawal, payment or disbursement from such fund or account. In the case of any required transfer of money to another such fund or account, such investments may be transferred to that fund or account in lieu of the required money if permitted by the Indenture as an investment of money in that fund or account.

The Issuer acknowledges that regulations of the Comptroller of the Currency grant the Issuer the right to receive brokerage confirmations of the security transactions as they occur. To the extent permitted by law, the Issuer specifically waives compliance with 12 C.F.R. 12 and hereby notifies the Trustee under the Indenture, that no brokerage confirmations need be sent relating to the security transactions as they occur.

The Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance herewith.

In computing for any purpose under the Indenture the amount in any fund or account on any date, obligations so purchased will be valued at Fair Market Value.

Rebate Fund

(a) The Trustee shall deposit or transfer to the credit of the Rebate Fund each amount delivered to the Trustee by the Borrower for deposit thereto and each amount directed by the Borrower to be transferred thereto.

(b) Within five days after each receipt or transfer of funds to the Rebate Fund in accordance with the arbitrage rebate provisions set forth in the Financing Agreement (the "Arbitrage Section"), the Trustee shall withdraw such funds from the Rebate Fund and pay such funds to the United States of America.

(c) Moneys in the Rebate Fund may be separately invested and reinvested by the Trustee, at the request of and as directed by the Borrower, in Qualified Investments, subject to the Code. The Trustee shall sell and reduce to cash a sufficient amount of such Qualified Investments whenever the cash balance in the Rebate Fund is insufficient for such purposes.

All payments to the United States of America pursuant to this Section shall be made by the Trustee for the account and in the name of the Issuer and shall be paid by check posted by registered United States mail (return receipt requested), addressed to the appropriate Internal Revenue Service Center (accompanied by the relevant Internal Revenue Service Form 8038-T (or such other applicable successor information return specified by the IRS) described in the Arbitrage Section of the Financing Agreement, such form to be provided to the Trustee by the Borrower concurrently with the deposit of funds.

The Trustee shall preserve all statements, forms, and explanations received from the Borrower pursuant to the Arbitrage Section of the Financing Agreement and all records of transactions in the Rebate Fund until six years after the retirement of all of the Bonds. The Trustee shall keep and make available to the Issuer and the Borrower such records concerning the investments of earnings from those investments as may be requested by the Issuer or the Borrower in order to enable the Borrower to make computations required under Section 148(f) of the Code.

The Trustee may conclusively rely on the instructions of the Borrower with regard to any actions to be taken by it pursuant to this Section and shall have no liability for any consequences of any failure of the Borrower to perform its duties or obligations or to supply accurate or sufficient instructions. Except as specifically provided in subsections (b) and (c) above, the Trustee shall have no duty or responsibility with respect to the Rebate Fund or the Borrower's duties and responsibilities with respect thereto except to follow the Borrower's specific written instructions related thereto.

If at any time during the term of the Indenture the Issuer, the Trustee or the Borrower desires to take any action which would otherwise be prohibited by the terms of this Section, such Person shall be permitted to take such action if it shall first obtain and provide at the expense of the Borrower to the other Persons named herein, an opinion of Bond Counsel to the effect that such action shall not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes and shall be in compliance with the laws of the State and the terms of the Indenture.

Moneys and securities held by the Trustee in the Rebate Fund shall not be deemed funds of the Issuer and are not pledged or otherwise subject to any security interest in favor of the Holders to secure the Bonds or any other obligations.

Notwithstanding the foregoing, the computations and payments of rebate amounts referred to in the Arbitrage Section of the Financing Agreement need not be made to the extent that neither the Issuer nor the Borrower will thereby fail to comply with any requirements of Section 148(f) of the Code based on a Favorable Opinion of Bond Counsel, a copy of which shall be provided to the Issuer and the Trustee.

Cost of Issuance Fund

The Trustee shall use moneys on deposit to the credit of the Cost of Issuance Fund to pay the costs of issuance on the Delivery Date or as soon as practicable thereafter, upon delivery to the Trustee of appropriate invoices for such expenses and a requisition in the form attached to the Indenture. Amounts remaining on deposit in the Cost of Issuance Fund six months after the Delivery Date shall be transferred to the Borrower. Upon such final disbursement, the Trustee shall close the Cost of Issuance Fund.

Money Held in Trust

The amounts held by the Trustee for the payment of the interest, principal or redemption price due on any date with respect to particular Bonds pending such payment, shall be set aside and held in trust by it for the Holders of the Bonds entitled thereto, and for the purposes of the Indenture such interest, principal or redemption price, after the due date thereof, shall no longer be considered to be unpaid.

All money held by the Trustee, as such, at any time pursuant to the terms of the Indenture shall be and have been assigned, transferred and set over unto the Trustee in trust for the purposes and under the terms and conditions of the Indenture.

Amounts Remaining in Funds

After full payment of the Bonds (or provision for payment thereof having been made in accordance with the Indenture) and full payment of the fees, charges and expenses of the Issuer and the Trustee and other amounts required to be paid under the Indenture or under any Bond Mortgage Loan Document, including, but not limited to, the Credit Facility and the Reimbursement Agreement, any amounts remaining in any fund or account under the Indenture other than the Rebate Fund shall be paid to the Borrower; provided however, that if a default shall have occurred and remain uncured under any Bond Mortgage Loan Document of which the Trustee shall have received written notice from the Credit Facility Provider or the Servicer, then any such amounts remaining in any fund or account under the Indenture shall be paid to the Credit Facility Provider in accordance with the Reimbursement Agreement.

Events of Default; Acceleration; Remedies

Each of the following shall be an "event of default" with respect to the Bonds (an "Event of Default") under the Indenture:

(a) failure to pay the principal or Purchase Price of, premium, if any, or interest on any Bond (other than Purchased Bonds) when due, whether on an Interest Payment Date, at the stated maturity thereof, by proceedings for redemption thereof, by acceleration or otherwise; or

(b) failure by the Credit Facility Provider to make when due a required payment under the Credit Facility (a "Paragraph (b) Event of Default"); or

(c) failure to observe or perform any of the covenants, agreements or conditions on the part of the Issuer (other than those relating to the payment of the principal of, including any applicable redemption premiums, the Purchase Price of and interest on the Bonds) in the Indenture or in the Bonds and the continuance thereof for a period of thirty days after (or such longer period, if any, as is specified herein for particular defaults) after written notice thereof (which notice shall be effective only with the written consent of the Credit Facility Provider if no Event of Default has occurred and is then continuing under paragraph (b) above) to the Issuer from the Trustee or the Holders of more than 51% of the aggregate principal amount of the Bonds

then Outstanding at such time specifying such default and requiring the same to be remedied; provided that if such default cannot be cured within such thirty day period through the exercise of diligence and the Issuer commences the required cure within such thirty day period and continues the cure with diligence and the Issuer reasonably anticipates that the default could be cured within sixty days, the Issuer shall have sixty following receipt of such notice to effect the cure.

The Trustee and the Issuer have agreed that, notwithstanding the provisions of the Indenture, no default under the terms of the Indenture shall be construed as resulting in a default under the Bond Mortgage Note, the Bond Mortgage or any other Bond Mortgage Loan Document, unless such event also constitutes an event of default thereunder.

The Trustee will immediately notify the Issuer, the Servicer, the Remarketing Agent and the Credit Facility Provider after a Responsible Officer obtains actual knowledge of the occurrence of an Event of Default or obtains actual knowledge of the occurrence of an event which would become an Event of Default with the passage of time or the giving of notice or both.

So long as no Paragraph (b) Event of Default has occurred and is then continuing, upon the occurrence of an Event of Default as provided in (a) above, the Trustee will, but only upon receipt from the Credit Facility Provider of a notice directing such acceleration (which notice may be given in the sole discretion of the Credit Facility Provider), by notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued and unpaid thereon immediately due and payable, and such principal and interest will become and be immediately due and payable and interest on the Bonds will cease to accrue, anything contained in the Indenture or in the Bonds to the contrary notwithstanding. So long as no Paragraph (b) Event of Default has occurred and is then continuing, upon the occurrence of an Event of Default as provided in (c) above, the Trustee may, but only upon receipt of the written consent of the Credit Facility Provider (which consent may be given in the sole discretion of the Credit Facility Provider), by notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued and unpaid thereon immediately due and payable, and such principal and interest will thereupon become and be immediately due and payable and interest on the Bonds will cease to accrue, anything contained in the Indenture or in the Bonds to the contrary notwithstanding. Upon the occurrence of a Paragraph (b) Event of Default, the Trustee may, and upon the written request of the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding and receipt of indemnity satisfactory to it will, by notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued and unpaid thereon immediately due and payable, and such principal and interest will thereupon become and be immediately due and payable, and interest on the Bonds will cease to accrue upon such declaration, anything contained in the Indenture or in the Bonds to the contrary notwithstanding.

The payment on the Bonds resulting from a declaration of acceleration on the Bonds as the result of an Event of Default occurring in paragraphs (a) or (c) listed above under "Events of Default; Acceleration; Remedies" will be made from the Credit Facility.

If at any time after the Bonds are declared due and payable, and before any judgment or decree for the payment of the money due is obtained or entered, the Issuer, the Borrower or the Credit Facility Provider, as applicable, must pay to or deposit with the Trustee a sum sufficient to pay all principal of the Bonds then due (other than solely by reason of such declaration) and all unpaid installments of interest, if any, upon all the Bonds then due, with interest at the rate borne by the Bonds on such overdue principal and (to the extent legally enforceable) on such overdue installments of interest, and the reasonable fees and expenses of the Trustee will be made good or cured or adequate provision will have been made therefor, and all outstanding amounts then due and unpaid under the Reimbursement Agreement (including with respect to Freddie Mac all outstanding Freddie Mac Reimbursement Amounts and all

Freddie Mac Credit Enhancement Fees) will have been paid in full, and all other defaults under the Indenture have been made good or cured or waived in writing by the Credit Facility Provider (or, if a Paragraph (b) Event of Default has occurred and is then continuing, by the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding), then and in every case, the Trustee on behalf of the Holders of all the Outstanding Bonds will rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default, nor shall it impair or exhaust any right or power consequent thereon.

Upon the occurrence and during the continuance of an Event of Default, the Trustee in its own name and as trustee of an express trust, on behalf and for the benefit and protection of the Holders of all Bonds with respect to which such an Event of Default has occurred and of the Credit Facility Provider (if no Paragraph (b) Event of Default has occurred and is continuing), may also proceed to protect and enforce any rights of the Trustee and, to the full extent that the Holders of such Bonds themselves might do, the rights of such Bondholders under the laws of the State or under the Indenture by such of the following remedies as the Trustee deems most effectual to protect and enforce such rights; provided that, so long as no Paragraph (b) Event of Default has occurred and is then continuing, the Trustee may undertake any such remedy only upon the receipt of the prior written consent of the Credit Facility Provider (which consent may be given in the sole discretion of the Credit Facility Provider):

(a) by mandamus or other suit, action or proceeding at law or in equity, to enforce the payment of the principal of, premium, if any, or interest on the Bonds then Outstanding and to require the Issuer or the Credit Facility Provider to carry out any covenants or agreements with or for the benefit of the Bondholders and to perform its duties under the Act, the Bond Resolution, the Financing Agreement, the Regulatory Agreement or the Credit Facility (as applicable) to the extent permitted under the applicable provisions thereof;

(b) by pursuing any available remedies under the Financing Agreement, the Regulatory Agreement or the Credit Facility;

(c) by realizing or causing to be realized through sale or otherwise upon the security pledged under the Indenture; and

(d) by action or suit in equity, to enjoin any acts or things that may be unlawful or in violation of the rights of the Holders of Bonds and to execute any other papers and documents and do and perform any and all such acts and things as may be necessary or advisable in the opinion of the Trustee in order to have the respective claims of the Bondholders against the Issuer allowed in any bankruptcy or other proceeding.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative and will be in addition to any other remedy given to the Trustee, the Credit Facility Provider or the Bondholders under the Indenture, the Financing Agreement, the Regulatory Agreement, the Credit Facility or the Reimbursement Agreement, as applicable, or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. No waiver of any Event of Default under the Indenture, whether by the Trustee, the Credit Facility Provider or the Bondholders, will extend to or will affect any subsequent default or event of default or will impair any rights or remedies consequent thereto.

In all events, the rights of the Trustee to exercise remedies under the Indenture upon the occurrence of an Event of Default shall be subject to the provisions of the Intercreditor Agreement.

Notwithstanding anything to the contrary, the Investor Limited Partner shall have the right, but not the obligation, to cure defaults hereunder in the same manner as the Borrower.

Rights of Bondholders

If a Paragraph (b) Event of Default has occurred and is then continuing, and if requested in writing so to do by the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding with respect to which there is a default, and if indemnified to its satisfaction, the Trustee is obliged to exercise one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, deems to be in the best interests of the affected Bondholders. If a Paragraph (b) Event of Default has occurred and is continuing, the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding with respect to which an Event of Default has occurred will have the right at any time, subject to the conditions described under the heading "Remedies of Bondholders," by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings thereunder, in accordance with the provisions of law and of the Indenture.

Waiver by Issuer

Upon the occurrence of an Event of Default, to the extent that such right may then lawfully be waived, neither the Issuer nor anyone claiming through or under it shall set up, claim or seek to take advantage of any appraisal, valuation, stay, extension or redemption laws now or hereinafter in force, in order to prevent or hinder the enforcement of the Indenture; and the Issuer, for itself and all who may claim through or under it, has waived, to the extent that it lawfully may do so, the benefit of all such laws and all right of appraisal and redemption to which it may be entitled under the laws of the State and the United States.

Application of Money After Default

All money collected by the Trustee at any time pursuant to the default provisions of the Indenture shall, except to the extent, if any, otherwise directed by a court of competent jurisdiction, be credited by the Trustee to the General Account of the Revenue Fund. Such money so credited to the General Account of the Revenue Fund and all other money from time to time credited to the General Account of the Revenue Fund shall at all times be held, transferred, withdrawn and applied as prescribed by the provisions of the Indenture.

In the event that at any time the money credited to the Revenue Fund, the Bond Fund, the Redemption Fund, the Administration Fund and the Principal Reserve Fund available for the payment of interest or principal then due with respect to the Bonds shall be insufficient for such payment, such money (other than money held for the payment or redemption of particular Bonds as provided in the Indenture) shall be applied as follows and in the following order of priority:

- (a) For payment of all amounts due to the Trustee incurred in performance of its duties under the Indenture, including, without limitation, the payment of all reasonable fees and expenses of the Trustee incurred in exercising any remedies under the Indenture.

(b) So long as no Paragraph (b) Event of Default has occurred and is then continuing, for the payment to the Credit Facility Provider of all amounts then due and unpaid under the Reimbursement Agreement (including with respect to Freddie Mac all Freddie Mac Credit Enhancement Fees and Freddie Mac Reimbursement Amounts).

(c) Unless the principal of all Bonds shall have become or have been declared due and payable:

FIRST, to the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available is not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference; and

SECOND, to the payment to the Persons entitled thereto of the unpaid principal of and premium, if any (which payment of premium shall not be restricted to Eligible Funds), on any Bonds which shall have become due, whether at maturity or by call for redemption, in the order in which they became due and payable, and, if the amount available is not sufficient to pay in full all the principal of and premium, if any, on the Bonds so due on any date, then to the payment of principal ratably, according to the amounts due on such date, to the Persons entitled thereto, without any discrimination or preference, and then to the payment of any premium due on the Bonds, ratably, according to the amounts due on such date, to the Persons entitled thereto, without any discrimination or preference.

(d) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal of, premium, if any (which payment of premium shall not be restricted to Eligible Funds), and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due, respectively, for principal, premium and interest, to the Persons entitled thereto without any discrimination or preference except as to any differences in the respective rates of interest specified in the Bonds.

(e) If a Paragraph (b) Event of Default has occurred and is then continuing, for the payment to the Credit Facility Provider of all amounts then due and unpaid under the Reimbursement Agreement to the date of such Event of Default.

Rights of the Credit Facility Provider

So long as no Paragraph (b) Event of Default has occurred and is continuing, if an Event of Default as described under paragraph (a) or (c) under "Events of Default; Acceleration; Remedies" above has occurred and upon receipt of the written direction of the Credit Facility Provider (which direction may be given in the sole discretion of the Credit Facility Provider), the Trustee will be obligated to exercise any right or power conferred by the remedial provisions of the Indenture in the manner set forth in such written direction of the Credit Facility Provider. If such written direction expressly states that the Trustee may exercise one or more of the rights and powers conferred in the Indenture as the Trustee deems to be in the interest of the Bondholders and the Credit Facility Provider, the Trustee will exercise one or more of such rights and powers as the Trustee, being advised by counsel, deems to be in the best interests of the Bondholders and the Credit Facility Provider; provided, however, that in any event, so long as no Paragraph (b) Event of Default has occurred and is continuing, the Trustee may not undertake any action

to realize, through sale or otherwise, upon the Bond Mortgage Loan without the express written direction of the Credit Facility Provider. So long as no Paragraph (b) Event of Default has occurred and is continuing, in the case of an Event of Default under paragraphs (a) or (c), the Credit Facility Provider has the right, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture, in accordance with the provisions of law and of the Indenture.

Remedies of Bondholders

No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust under the Indenture or for the appointment of a receiver or any other remedy under the Indenture, unless (a) a default shall have occurred of which the Trustee shall have been notified as provided herein; (b) such default shall have become a Paragraph (b) Event of Default; (c) the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding with respect to which there is such an Event of Default shall have made written request to the Trustee and shall have offered reasonable opportunity to the Trustee either to proceed to exercise the powers granted by the Indenture or to institute such action, suit or proceeding in its own name; (d) such Holders shall have furnished to the Trustee indemnity as provided in the Indenture; and (e) the Trustee shall within sixty days thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding; it being understood and intended that no one or more Holders of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture or the rights of any other Holders of Bonds or to obtain priority or preference over any other Holders or to enforce any right under the Indenture, except in the manner provided in the Indenture with respect to the equal and ratable benefit of all Holders of Bonds with respect to which there is a default. Nothing contained in the Indenture shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of, the premium, if any, and interest on any Bond at the maturity thereof or the obligation of the Issuer to pay the principal of, premium, if any, and interest on the Bonds issued under the Indenture to the respective holders thereof, at the time, in the place, from the sources and in the manner expressed in the Indenture and in said Bonds.

Notice to Bondholders if Default Occurs

Upon the occurrence of an Event of Default, or if an event occurs which could lead to an Event of Default with the passage of time and of which the Trustee is required to take notice pursuant to the Indenture, the Trustee shall, within thirty days, give written notice thereof by first class mail to the registered Owners of all Bonds then Outstanding. Notwithstanding the foregoing, except in the case of an Event of Default with respect to the payment of principal of or premium, if any, and interest on the Bonds, the Trustee shall be protected in withholding such notice if and so long as the board of directors of the Trustee, the executive committee, or a trust committee of directors or officers of the Trustee in good faith determines that the withholding of such notice is in the best interests of the Holders of the Bonds.

Supplemental Indentures

Without Bondholder Consent. The Issuer and the Trustee may without the consent of, or notice to, any of the Bondholders, but with the prior written consent of the Credit Facility Provider, enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

- (a) to cure any formal defect, omission, inconsistency or ambiguity in the Indenture in a manner not materially adverse to the Holder of any Bond to be Outstanding after the effective date of the change;

(b) to grant to or confer upon the Trustee for the benefit of the Holders of the Bonds any additional rights, remedies, powers or authority that may lawfully be granted or conferred and that are not contrary to or inconsistent with the Indenture or the rights of the Trustee under the Indenture as theretofore in effect;

(c) to subject to the lien and pledge of the Indenture additional revenues, properties or collateral;

(d) to modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under any state blue sky laws;

(e) to make such additions, deletions or modifications as may be necessary, in the opinion of Bond Counsel delivered to the Issuer, Trustee, and Credit Facility Provider, necessary to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds;

(f) to modify, amend or supplement the Indenture as required by the Rating Agency to obtain or maintain a rating or ratings for the Bonds, except no change may be made that will adversely affect the interests of the Holders of the Bonds to be Outstanding after the effective date of the change;

(g) during a Variable Period, to modify, amend or supplement the Indenture in any other respect, including amendments which would otherwise require Bondholders' consent, if notice of the proposed supplemental indenture is given to Bondholders (in the same manner as notices of redemption are given) at least thirty days before the effective date thereof and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to the Indenture;

(h) to modify, alter, amend or supplement the Indenture in connection with the delivery of any Alternate Credit Facility or upon the occurrence of any Reset Adjustment Date, Variable Rate Adjustment Date or Fixed Rate Adjustment Date;

(i) to implement or modify any secondary market disclosure requirements; or

(j) to modify, amend or supplement the Indenture in any other respect which is not materially adverse to the Holders of the Bonds to be Outstanding after the effective date of the change and which does not involve a change described under the heading "With Bondholder Consent" below.

With Bondholder Consent. With the prior written consent of the Credit Facility Provider, the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding will have the right, from time to time, to consent to and approve the execution by the Issuer and the Trustee of supplemental indentures as deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that no such supplemental indenture may permit or be construed to permit: (a) an extension of the time for payment of or reduction in the Purchase Price, or an extension of the time for payment of, or an extension of the stated maturity or a reduction in the principal amount, or reduction in the rate of interest on or extension of the time of payment, of interest on, or a reduction of

any premium payable on the redemption of, any Bonds, or a reduction in the Borrower's obligation to make payments on the Bond Mortgage Note, without the consent of all of the Holders of all of the Bonds then Outstanding; (b) the creation of any lien prior to or on a parity with the lien of the Indenture; (c) a reduction of the aforesaid percentage of the principal amount of Bonds which is required in connection with the giving of consent to any such supplemental indenture, without consent of the Holders of all the Bonds then Outstanding; (d) a modification of the rights, duties or immunities of the Trustee, without the consent of the Trustee; (e) a privilege or priority of any Bond over any other Bonds; or (f) any action that results in the interest on the Bonds becoming included in gross income for federal income tax purposes.

If at any time the Issuer shall request the Trustee to enter into any such supplemental indenture for any of the purposes described above, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed, postage prepaid, to all registered Bondholders and to the Credit Facility Provider. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the corporate trust office of the Trustee for inspection by all Bondholders.

Thirty days after the date of the mailing of such notice, the Issuer and the Trustee may enter into such supplemental indenture substantially in the form described in such notice, but only if there shall have first been or is simultaneously delivered to the Trustee the required consents, in writing, of the Credit Facility Provider and the Holders of not less than the percentage of Bonds required by the Indenture. If the Holders of not less than the percentage of Bonds required by the Indenture shall have consented to and approved the execution and delivery of a supplemental indenture as provided herein, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as described above, the Indenture shall be and be deemed to be modified and amended in accordance therewith. The Trustee may rely upon an opinion of counsel as conclusive evidence that execution and delivery of a supplemental indenture has been effected in compliance with the provisions of the Indenture.

Anything in the Indenture to the contrary notwithstanding, unless the Borrower shall then be in default of any of its obligations under the Financing Agreement, the Reimbursement Agreement, the Regulatory Agreement, the Bond Mortgage Note, the Bond Mortgage or the Reimbursement Mortgage, a supplemental indenture under the Indenture which affects any rights of the Borrower shall not become effective unless and until the Borrower shall have expressly consented in writing to the execution and delivery of such supplemental indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture to be mailed by certified or registered mail to the Borrower or the Borrower's attorney at least fifteen days prior to the proposed date of execution and delivery of any supplemental indenture.

Notwithstanding any other provision of the Indenture, the Issuer and the Trustee may consent to any supplemental indenture upon receipt of the consent of the Credit Facility Provider and of the Holders of all Bonds then Outstanding, and as applicable, the Borrower.

Amendments to Financing Agreement Not Requiring Consent of Bondholders

The Trustee shall, without the consent of, or notice to, the Bondholders, but with the consent of the Borrower and the Credit Facility Provider, consent to any amendment, change or modification of the Financing Agreement as follows:

(a) as may be required by the provisions of the Credit Facility, by the Financing Agreement or by the Indenture;

(b) to cure any formal defect, omission, inconsistency or ambiguity in the Financing Agreement in a manner not materially adverse to the Holder of any Bond to be Outstanding after the effective date of the change;

(c) to make such additions, deletions or modifications as may be necessary, in the opinion of Bond Counsel delivered to the Issuer, the Trustee and the Credit Facility Provider to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds;

(d) to modify, amend or supplement the Financing Agreement as required by the Rating Agency to obtain or maintain a rating or ratings for the Bonds, except no change may be made that will adversely affect the interests of the Holders of the Bonds to be Outstanding after the effective date of the change;

(e) during a Variable Period, to modify, amend or supplement the Financing Agreement in any other respect including amendments which would otherwise be described under the heading "Amendments to Financing Agreement Requiring Consent of Bondholders" below, if notice of the proposed amendments is given to Bondholders (in the same manner as notices of redemption are given) at least thirty days before the effective date thereof and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to the Indenture;

(f) to modify, alter, amend or supplement the Financing Agreement in connection with the delivery of an Alternate Credit Facility or upon the occurrence of any Reset Adjustment Date, Variable Rate Adjustment Date or Fixed Rate Adjustment Date; or

(g) to modify, amend or supplement the Financing Agreement in any other respect which is not materially adverse to the Trustee or Holders of the Bonds to be Outstanding after the effective date of the change.

Amendments to Financing Agreement Requiring Consent of Bondholders

Except for the amendments, changes or modifications of the Financing Agreement as described above, neither the Issuer nor the Trustee shall consent to any other amendment, change or modification of the Financing Agreement without the consent of the Credit Facility Provider and the Borrower and without the giving of notice and the written approval or consent of the Holders of at least 51% of the aggregate principal amount of the Bonds then Outstanding given and procured in accordance with the procedure described above relating to the Indenture; provided, however, that nothing described under this heading shall permit, or be construed as permitting, any amendment, change or modification of the Borrower's obligation to make the payments required under the Financing Agreement without the consent of the Holders of all of the Bonds then Outstanding. If at any time the Issuer and the Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification of the Financing Agreement, the Trustee shall cause notice of such proposed amendment, change or modification to be given in the same manner as described above relating to the Indenture. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal office of the Trustee for inspection by Bondholders.

Amendments to the Credit Facility

The Trustee may, without the consent of, or notice to, any of the Bondholders enter into any amendment, change or modification of the Credit Facility (a) as may be required by the provisions of the Credit Facility, (b) to cure any formal defect, omission, inconsistency or ambiguity in the Credit Facility, (c) in a manner which is not prejudicial to the interests of the Bondholders (which shall be conclusively evidenced by an opinion of counsel delivered to the Trustee, the Issuer and the Credit Facility Provider or by a written confirmation from the Rating Agency of the then existing rating on the Bonds delivered to the Trustee, the Issuer and the Credit Facility Provider), or (d) as required by the Rating Agency to maintain the then current rating on the Bonds.

Opinion of Bond Counsel Required

No supplement or amendment to the Financing Agreement or the Indenture, as described above shall be effective until the Issuer, the Trustee and the Credit Facility Provider shall have received an opinion of Bond Counsel to the effect that such supplement or amendment is authorized or permitted by the Indenture and, upon execution and delivery thereof, will be valid and binding upon the Issuer in accordance with its terms and will not cause interest on the Bonds to be includable in gross income for federal income tax purposes. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, the opinion of any counsel approved by it as conclusive evidence that (i) any proposed supplemental indenture or amendment permitted by the Indenture complies with the provisions of the Indenture, (ii) it is proper for the Trustee to join in the execution of that supplemental indenture or amendment under the provisions of the Indenture and (iii) if applicable, any such proposed supplemental indenture or amendment is not materially adverse to the interests of the Bondholders.

Trustee

The Trustee, prior to an Event of Default as defined in the Indenture and after the curing or waiver of all such events which may have occurred, will perform such duties and only such duties as are specifically set forth in the Indenture. The Trustee, during the existence of any such Event of Default (which has not been cured or waived), will exercise such rights and powers vested in it by the Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under similar circumstances in the conduct of such person's own affairs.

The Trustee and any successor Trustee shall at all times be a bank or trust company (a) organized under the laws of the United States of America or any state, authorized under such laws to exercise corporate trust powers, having a combined capital stock, surplus and undivided profits of at least \$50,000,000 (or an affiliate of a corporation or banking association meeting that requirement which guarantees the obligations and liabilities of the Trustee), (b) located within the State and maintaining a corporate trust office in the State, and (c) subject to supervision or examination by federal or state banking authority.

The Trustee and any successor Trustee may at any time resign by giving written notice to the Issuer, the Borrower, the Tender Agent, the Remarketing Agent and the Credit Facility Provider, and by giving notice by certified mail or overnight delivery service to each Holder of the Bonds then Outstanding. The Trustee shall not resign until a successor Trustee has been appointed by the Issuer and such successor has agreed in writing to be bound by the terms of the Indenture and the Intercreditor Agreement.

The Trustee may be removed at any time, either with or without cause, with the consent of the Credit Facility Provider (which consent of the Credit Facility Provider shall not be unreasonably

withheld), by a written instrument signed by the Issuer and delivered to the Trustee, the Borrower, the Tender Agent and the Remarketing Agent, and if an Event of Default shall have occurred and be continuing, other than a Paragraph (b) Event of Default, by a written instrument signed by the Credit Facility Provider and delivered to the Trustee, the Issuer, the Borrower, the Tender Agent and the Remarketing Agent. The Trustee may also be removed, if a Paragraph (b) Event of Default shall have occurred and be continuing, by a written instrument or concurrent instruments signed by the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding and delivered to the Trustee, the Issuer, the Borrower, the Tender Agent, the Remarketing Agent and the Credit Facility Provider. Any such removal shall take effect on the day specified in such written instrument(s), but the Trustee shall not be discharged until a successor Trustee has been appointed and has accepted such appointment and has agreed in writing to be bound by the duties and obligations of the Trustee under the Intercreditor Agreement.

In case at any time the Trustee shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting under the Indenture, or shall be adjudged a bankrupt or insolvent, or if a receiver of the Trustee or of its property shall be appointed, or if a public supervisory office shall take charge or control of the Trustee or of its property or affairs, a vacancy shall forthwith and *ipso facto* be created in the office of such Trustee under the Indenture, and the Issuer, with the written consent of the Credit Facility Provider, shall promptly appoint a successor Trustee and give notice of such appointment to the Remarketing Agent. Any such appointment shall be made by a written instrument executed by an Authorized Officer of the Issuer.

If, in a proper case, no appointment of a successor Trustee shall be made as described above within sixty days following delivery of all required notices of resignation or of removal, the retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. The court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Satisfaction and Discharge of Indenture

If the Issuer pays or causes to be paid to the Holders of the Bonds, the principal, interest and premium, if any, to become due thereon at the times and in the manner stipulated in the Indenture, in any one or more of the following ways:

(a) by the payment of principal of (including redemption premium, if any) and interest on all Bonds Outstanding; or

(b) by (i) the deposit or credit to the account of the Trustee, in trust, of money or securities in the necessary amount to pay the principal, redemption price or Purchase Price and interest to the date established for purchase or redemption (calculated at the Maximum Rate to the extent the Bonds then bear interest at a Variable Rate for any period for which the Variable Rate on such Bonds has not yet been established pursuant to the Indenture) whether by redemption, purchase or otherwise; (ii) if the Bonds then bear interest at the Variable Rate, the delivery to the Trustee of a written confirmation by the Rating Agency of the rating then existing on the Bonds as of the date of such deposit or credit and (iii) receipt by the Issuer and the Trustee of a Favorable Opinion of Bond Counsel with respect to such deposit; or

(c) by the delivery to the Trustee, for cancellation by it, of all Bonds Outstanding;

and has paid all amounts due and owing to the Credit Facility Provider under the Indenture, the Credit Facility and the Reimbursement Agreement, including but not limited to the Freddie Mac Reimbursement

Amount and the Freddie Mac Credit Enhancement Fee, and has paid all fees and expenses of the Issuer, the Asset Oversight Agent, the Trustee, the Servicer, the Tender Agent, the Remarketing Agent and each Paying Agent, and if the Issuer keeps, performs and observes all and singular the covenants and promises in the Bonds and in the Indenture expressed as to be kept, performed and observed by it or on its part, then these presents and the estates and rights thereby granted will cease, determine and be void, and thereupon the Trustee will cancel and discharge the lien of the Indenture and execute and deliver to the Issuer such instruments in writing as shall be required to satisfy the lien thereof, and reconvey to the Issuer the estate thereby conveyed, and assign and deliver to the Issuer any interest in property at the time subject to the lien of the Indenture which may then be in its possession, except for amounts in the Rebate Fund needed for the satisfaction of any rebate requirement and amounts held by the Trustee for the payment of principal of, interest and premium, if any, on the Bonds, the payment of Rebatable Arbitrage or the payment of any amounts payable to the Credit Facility Provider.

Any Outstanding Bond shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the paragraph above if, under circumstances which do not cause interest on the Bonds to become includable in the Holders' gross income for purposes of federal income taxation, the following conditions shall have been fulfilled: (a) in case such Bond is to be redeemed on any date prior to its maturity, the Trustee shall have given to the Bondholder irrevocable notice of redemption of such Bond on said date; (b) there shall be on deposit with the Trustee either money or direct obligations of the United States of America in an amount, together with anticipated earnings thereon (but not including any reinvestment of such earnings), which will be sufficient to pay, when due, the principal or redemption price, if applicable, and interest due and to become due on such Bond on the redemption date or maturity date thereof, as the case may be; (c) in the case of Bonds which do not mature or will not be redeemed within sixty days of such deposit, the Trustee shall have received a verification report of a firm of certified public accountants reasonably acceptable to the Trustee as to the adequacy of the amounts so deposited to fully pay the Bonds deemed to be paid; and (d) the Trustee shall have received an opinion of nationally recognized bankruptcy counsel, if required by subpart (e) of the definition of "Eligible Funds", to the effect that such money constitutes Eligible Funds.

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT

The following is a brief summary of certain provisions of the Financing Agreement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Financing Agreement, a copy of which is on file with the Trustee.

In connection with the issuance of the Bonds, the Issuer, the Trustee and the Borrower will enter into the Financing Agreement. Pursuant to the terms of the Financing Agreement, the Issuer will agree to issue the Bonds to fund the Bond Mortgage Loan by the Issuer to the Borrower, and the Borrower will agree, among other things, to make all payments under the Financing Agreement when due and to abide by the provisions of the Financing Agreement.

Terms of the Bond Mortgage Loan; Servicing

The Bond Mortgage Loan will (i) be evidenced by the Bond Mortgage Note; (ii) be initially secured by the Credit Facility; (iii) bear interest as provided in the Bond Mortgage Note; (iv) provide for monthly payments into the Principal Reserve Fund in accordance with the Principal Reserve Schedule; and (v) be subject to optional and mandatory prepayment at the times, in the manner and on the terms, and have such other terms and provisions, as provided in the Financing Agreement and in the Bond Mortgage Note.

The Servicer will service the Bond Mortgage Loan pursuant to the Forward Commitment and the Guide. The Issuer, the Trustee and the Borrower acknowledge and agree that (i) selection or removal of any Servicer is in the sole and absolute discretion of the Credit Facility Provider; (ii) neither the Issuer nor the Trustee will terminate or attempt to terminate any Servicer as the servicer for the Bond Mortgage Loan or appoint or attempt to appoint a substitute servicer for the Bond Mortgage Loan; (iii) the Forward Commitment and the Guide are subject to amendment without the consent of the Trustee, the Issuer or the Borrower; and (iv) none of the Trustee, the Issuer or the Borrower will have any rights under, or be a third party beneficiary of, the Guide. The Servicer will have the right to collect all payments made by the Borrower in connection with the Bond Mortgage Loan and to receive copies of all reports and notices provided for by the Bond Financing Documents.

Payments Under the Bond Mortgage Note; Independent Obligation of Borrower

The Borrower agrees to repay the Bond Mortgage Loan at the times and in the amounts necessary to enable the Trustee, on behalf of the Issuer, to pay all amounts payable with respect to the Bonds, when due, whether at maturity or upon redemption (with premium, if applicable), acceleration, tender, purchase or otherwise. The obligation of the Borrower to make the payments set forth in the Financing Agreement will be an independent and separate obligation of the Borrower from its obligation to make payments under the Bond Mortgage Note, provided that in all events payments made by the Borrower under and pursuant to the Bond Mortgage Note will be credited against the Borrower's obligations under the Financing Agreement on a dollar by dollar basis. If for any reason the Bond Mortgage Note or any provision of the Bond Mortgage Note is held invalid or unenforceable against the Borrower by any court of competent jurisdiction, the Bond Mortgage Note or such provision of the Bond Mortgage Note will be deemed to be the obligation of the Borrower pursuant to the Financing Agreement to the full extent permitted by law and such holding will not invalidate or render unenforceable any of the provisions of the Financing Agreement and will not serve to discharge any of the Borrower's payment obligations under the Financing Agreement or eliminate the credit against such obligations to the extent of payments made under the Bond Mortgage Note.

The obligations of the Borrower to repay the Bond Mortgage Loan, to perform all of its obligations under the Bond Mortgage Loan Documents, to provide indemnification pursuant to the Financing Agreement, to pay costs, expenses and charges pursuant to the Financing Agreement and to make any and all other payments required by the Financing Agreement, the Indenture or any other documents contemplated by the Financing Agreement or by the Bond Mortgage Loan Documents will, subject to the limitations set forth in the Financing Agreement, be absolute and unconditional and will not be subject to diminution by setoff, recoupment, counterclaim, abatement or otherwise.

With certain exceptions, the obligations of the Borrower are non-recourse (see "Obligations of Borrower are Non-Recourse" below).

Payment of Certain Fees and Expenses Under the Bond Mortgage Note

The payments to be made by the Borrower under the Bond Mortgage Note include certain money to be paid in respect of, among others, the Bond Fee Component, the Ordinary Servicing Fees and Expenses, the Freddie Mac Credit Enhancement Fee, the Principal Reserve Schedule payments and amounts required to be deposited in the Custodial Escrow Account pursuant to the Bond Mortgage Loan Documents. To the extent that any portion of the Bond Fee Component, Ordinary Servicing Fees and Expenses, Freddie Mac Credit Enhancement Fee, the Principal Reserve Schedule payments pursuant to the Financing Agreement and amounts required to be deposited in a Custodial Escrow Account remain due and owing at any time, such amounts remaining due and owing will be payable from money on deposit in the Administration Fund as provided in the Indenture or from other money of the Borrower, to

the extent that money in the Administration Fund is insufficient for such purposes. All other fees and expenses will be payable from money from the Borrower as provided in the Financing Agreement.

Prepayment of the Bond Mortgage Loan

The Borrower shall have the option to prepay the Bond Mortgage Loan in full or in part prior to the payment and discharge of all the Outstanding Bonds in accordance with the provisions of the Indenture, the Financing Agreement and the Bond Mortgage Note, and only with the prior written consent of the Credit Facility Provider and the payment of any amount due as described under the next succeeding paragraph. The Borrower shall be required to prepay the Bond Mortgage Loan in each case that Bonds are required to be redeemed in accordance with the terms and conditions set forth in the Indenture.

In connection with any prepayment, whether optional or mandatory, in addition to all other payments required under the Bond Mortgage Note, the Borrower shall pay, or cause to be paid to the Servicer or other party as directed by the Credit Facility Provider (or, if no Credit Facility is then in effect, to the Trustee), an amount sufficient to pay the redemption price of the Bonds to be redeemed, including principal, interest and premium (if any), such premium to be paid in Eligible Funds not consisting of funds drawn under the Credit Facility, and further including any interest to accrue with respect to the Bond Mortgage Loan and such Bonds between the prepayment date and the redemption date, together with a sum sufficient to pay all fees, costs and expenses in connection with such redemption and, in the case of redemption in whole, to pay all other amounts payable under the Financing Agreement, the Indenture and the Reimbursement Agreement. The Borrower shall provide notice of the prepayment to the Issuer, the Trustee, the Remarketing Agent, the Credit Facility Provider and the Servicer in writing at least forty-five days, or such shorter time as is possible in the case of mandatory prepayments, prior to the date on which the Borrower will make the prepayment.

Borrower's Obligations Upon Redemption or Tender

In the event of any redemption, the Borrower will timely pay, or cause to be paid through the Servicer, to the Trustee an amount equal to the principal amount of such Bonds or portions thereof called for redemption, together with interest accrued and unpaid to the redemption date and premium, if any, such premium to be paid in Eligible Funds not consisting of funds drawn under the Credit Facility. In addition, the Borrower will timely pay all fees, costs and expenses associated with any redemption of Bonds. In the event that on any optional tender date or mandatory tender date under and as provided in the Indenture, Bonds are tendered and not remarketed by the Remarketing Agent, and remarketing proceeds are not available for the purpose of paying the Purchase Price of such Bonds, the Borrower will cause to be paid, under and subject to the terms of the Credit Facility and the Reimbursement Agreement, to the Trustee by the applicable times provided in the Indenture an amount equal to the principal amount of such Bonds tendered and not remarketed, together with interest accrued and unpaid thereon to the optional tender date or mandatory tender date, as the case may be. The Borrower acknowledges that Purchased Bonds will be purchased by the Trustee for and on behalf of, and registered in the name of, the Borrower and will be pledged to the Credit Facility Provider pursuant to the Pledge Agreement.

Sale or Other Transfer of Development

Subject to the Intercreditor Agreement, the Borrower may convey and transfer the Development only upon strict compliance with the provisions of the Regulatory Agreement and the other Bond Mortgage Loan Documents and upon receipt of the prior written consent of the Issuer and the Credit Facility Provider. The Borrower agrees that any sale, transfer or other disposition of the Development in violation of this section shall be null, void and without effect and shall be ineffective to release the Borrower of its obligations under the Financing Agreement; provided that this section shall not be

construed to prohibit (a) the granting by the Borrower of the Bond Mortgage or the Reimbursement Mortgage or (b) the foreclosure of the Bond Mortgage, acceptance of a deed-in-lieu of foreclosure or comparable conversion of the Bond Mortgage Loan.

Events of Default and Remedies

The following are "Events of Default" under the Financing Agreement and the terms "Event of Default" or "default" mean, whenever they are used in the Financing Agreement, one or all of the following events:

(a) Any representation or warranty made by the Borrower in the Bond Financing Documents or any certificate, statement, data or information furnished by the Borrower in connection therewith or included by the Borrower in its application to the Issuer for assistance proves at any time to have been incorrect when made in any material respect;

(b) failure by the Borrower to pay any amounts due under the Financing Agreement, the Bond Mortgage Note or the Bond Mortgage at the times and in the amounts required by the Financing Agreement, the Bond Mortgage Note and the Bond Mortgage, as applicable;

(c) failure by the Borrower to observe and perform any of its other covenants, conditions or agreements contained in the Financing Agreement, other than as referred to in clause (a) above, for a period of thirty days after written notice specifying such failure and requesting that it be remedied is given by the Issuer or the Trustee to the Borrower; provided, however, that if the failure is such that it can be corrected but not within such period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Borrower within such period and diligently pursued until the failure is corrected; or

(d) The occurrence of a default under the Reimbursement Agreement shall at the discretion of the Credit Facility Provider constitute an Event of Default under the Financing Agreement. The occurrence of an Event of Default under the Financing Agreement shall in the discretion of the Credit Facility Provider constitute a default under the Bond Mortgage Loan Documents and the Reimbursement Agreement.

Nothing described above is intended to amend or modify any of the provisions of the Bond Financing Documents or to bind the Issuer, the Trustee, the Servicer or the Credit Facility Provider to any notice and cure periods other than as expressly set forth in the Bond Financing Documents.

The Issuer and the Trustee hereby agree that cure of any Event of Default made or tendered by the Investor Limited Partner shall be deemed to be a cure by the Borrower and shall be accepted or rejected on the same basis as if made or tendered by the Borrower.

Remedies on Default

Subject to the Financing Agreement and provisions of the Intercreditor Agreement, whenever any Event of Default under the Financing Agreement shall have occurred and be continuing, the Trustee or the Issuer where so provided may take any one or more of the following remedial steps:

(a) The Issuer will cooperate with the Trustee as the Trustee acts pursuant to the provisions of the Indenture.

(b) In the event any of the Bonds are at the time Outstanding and not paid and discharged in accordance with the provisions of the Indenture, the Issuer or the Trustee may have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the Borrower.

(c) The Issuer or Trustee may, without being required to give any notice (other than to the Issuer or Trustee as applicable), except as provided in the Financing Agreement, pursue all remedies of a creditor under the laws of the State, as supplemented and amended, or any other applicable laws.

(d) The Issuer or Trustee may take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due under the Financing Agreement, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Financing Agreement.

Any amounts collected pursuant to the Financing Agreement and any other amounts which would be applicable to payment of principal of and interest and any premium on the Bonds collected pursuant to action taken after default will be applied in accordance with the provisions of the Indenture.

The provisions of the Financing Agreement are subject to the further limitation that if, after any Event of Default all amounts which would then be payable thereunder by the Borrower if such Event of Default had not occurred and was not continuing has been paid by or on behalf of the Borrower, the Borrower will have also performed all other obligations in respect of which it is then in default thereunder, and will have paid the reasonable charges and expenses of the Issuer, the Trustee, the Servicer and the Credit Facility Provider, including reasonable attorneys' fees paid or incurred in connection with such default, and will have paid all amounts then due the Credit Facility Provider, including, but not limited to, any Freddie Mac Reimbursement Amounts and Freddie Mac Credit Enhancement Fees, and if there is no default existing under the Indenture or any other Bond Financing Document, then and in every such case such Event of Default under the Financing Agreement will be waived and annulled, but no such waiver or annulment will affect any subsequent or other Event of Default or impair any right consequent thereon.

Obligations of Borrower Are Non-Recourse

With certain limited exceptions, the obligations of the Borrower under the Bond Mortgage Loan Documents are non-recourse obligations, as provided therein. Any personal liability or recourse to the Borrower pursuant to the Financing Agreement or any other Bond Financing Document to which the Borrower is a party shall not extend to the members of the Borrower.

SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT

The following is a brief summary of certain provisions of the Regulatory Agreement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Regulatory Agreement, a copy of which is on file with the Trustee.

Definitions

"*Annual Income*" means the anticipated annual income of a person (together with the anticipated annual income of all persons that intend to reside with such person in one Unit) calculated pursuant to Section 8 of the Housing Act as required by Section 142(d) of the Code.

"Compliance Monitoring Report" means the certified residential rental housing program compliance report to be filed pursuant to the Regulatory Agreement with respect to the Development, by the Borrower with the Issuer electronically through the filing system available on the Issuer's website in the form available on the Issuer's website at the time of submission of the report, or in such other form as the Issuer may reasonably prescribe in writing to the Borrower.

"Costs of Issuance" means costs to the extent incurred in connection with, and allocable to, the issuance of the Bonds within the meaning of Section 147(g) of the Code including, without limitation, printing costs, costs of reproducing documents, counsel fees (including Bond Counsel, Trustee's counsel, Issuer's counsel, Borrower's counsel, Underwriter's counsel, Freddie Mac's counsel and Servicer's counsel, as well as any other specialized counsel fees incurred in connection with the issuance of the Bonds), initial Trustee fees and expenses with respect to the Bonds, any fee to the Issuer or expenses incurred by the Issuer that pays or reimburses the Issuer for direct and indirect costs of the Issuer related to the issuance of the Bonds, the expenses of the initial purchaser in acquiring the Bonds and legal fees and charges, financial advisory fees, placement agent's fees and accountant fees related to issuance of the Bonds, initial fees and expenses of Freddie Mac and the Servicer, costs of credit ratings, bond registrar and paying agent fees, title insurance fees, survey fees and recording and filing fees, including any applicable documentary stamp taxes, intangible tax and the mortgage registration tax, fees and charges for execution, transportation and safekeeping of the Bonds, certification and authentication fees, public approval process costs, engineering and feasibility study costs, guarantee fees, other than for qualified guarantees (as defined in Section 1.148-4(f) of the Regulations) and charges and fees in connection with the foregoing.

"Development Costs" means, to the extent authorized by the Act, any and all costs incurred by the Borrower with respect to the acquisition, construction and equipping, as the case may be, of the Development, whether paid or incurred prior to or after the date of the Regulatory Agreement, including, without limitation, costs for site preparation, the planning of housing and improvements, the removal or demolition of existing structures, and all other work in connection therewith, and all costs of financing, including, without limitation, the cost of consultant, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Development, contractors and Borrower's overhead and supervisor's fees and costs directly allocable to the Development, and administrative and other expenses necessary or incident to the Development and the financing thereof.

"Development Site" means the parcel or parcels of real property described in an exhibit to the Regulatory Agreement, and all rights and appurtenances appertaining thereunto.

"Eligible Tenants" means (i) individuals and families of extremely low, low and very low income, (ii) families of moderate income (in each case in the foregoing clauses (i) and (ii) as such terms are defined by the Issuer under the Act), and (iii) Persons with Special Needs, in each case, with an Annual Income not in excess of 140% of the area median income for a four person household in the applicable standard metropolitan statistical area; provided that all Low-Income Tenants shall count as Eligible Tenants.

"Housing Act" means the United States Housing Act of 1937, as amended, or a successor thereto.

"HUD" means the United States Department of Housing and Urban Development or its successors.

"Inducement Date" means November 12, 2004.

"Low-Income Tenant" means a tenant whose Annual Income is 60% or less of Median Gross Income for the Area, as determined under Section 142(d)(2)(B) of the Code. If all the occupants of a Unit are students (as defined under Section 152(f)(2) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, such occupants shall not qualify as Low-Income Tenants unless such students are (i) single parents and their children and such parents are not dependents of another individual and such children are not dependents of another individual other than parent of such children or (ii) married and file a joint return. The determination of a tenant's status as a Low-Income Tenant shall be made by the Borrower upon initial occupancy of a Unit in the Development by such tenant, and annually thereafter, on the basis of a Tenant Income Certification executed by each tenant; provided, however that once a tenant qualifies as a Low-Income Tenant, such tenant shall continue to qualify annually upon recertification except as provided in the Regulatory Agreement.

"Low-Income Unit" means a Unit that is included as a Unit satisfying the requirements of the Set Aside (defined below).

"Median Gross Income for the Area" means, with respect to the Development, the median income for the households in the area which includes the standard metropolitan statistical area in which the Development is located, as determined from time to time by the Secretary of HUD, under Section 8 of the Housing Act (or if such program is terminated, median income determined under the program in effect immediately before such termination), in each case as adjusted for family size.

"Persons with Special Needs" means persons who (i) are considered to be disabled or handicapped under State or federal law, (ii) are elderly, meaning 60 years of age or more, (iii) are designated by the governing board of the Issuer as experiencing a unique need for decent, safe housing that is not being met adequately by private enterprise, or (iv) are legally responsible for caring for an individual described by clauses (i), (ii) or (iii) above and meet the income guidelines established by the governing board of the Issuer.

"Qualified Project Costs" means the Development Costs incurred no earlier than sixty days prior to the Inducement Date (or which are qualifying preliminary expenditures) and no earlier than three years prior to the date reimbursed with Proceeds of the Bonds, but in no event shall such costs have been incurred with respect to a portion of the Development that is placed in service, within the meaning of Section 1.150-2 of the Regulations, earlier than eighteen months prior to the date the related costs are reimbursed with Proceeds of the Bonds; provided that such costs are chargeable to a capital account with respect to the Development for federal income tax and financial accounting purposes, or would be so chargeable either with a proper election by the Borrower or but for the proper election by the Borrower to deduct those amounts; provided, however, that, only such portion of the interest accrued on the Bonds during, and fees for a "qualified guarantee" (within the meaning of Section 1.148-4 of the Regulations) attributable to the period of, the construction of the Development shall constitute Qualified Project Costs as bear the same ratio to all such interest or fees, as applicable, as the Qualified Project Costs bear to all Development Costs; and provided, however, that, if any portion of the Development is being constructed by the Borrower or a Related Person (whether as a general contractor or a subcontractor), "Qualified Project Costs" shall include only (a) the actual out-of-pocket costs incurred by the Borrower or such Related Person in constructing the Development (or any portion thereof), (b) any reasonable fees for supervisory services actually rendered by the Borrower or such Related Person (but excluding any profit component) and (c) any overhead expenses incurred by the Borrower or such Related Person that are directly attributable to the work performed on the Development and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the construction of the Development or payments received by such Related Person due to early completion of the Development (or any portion thereof). Qualified Project Costs do not include Costs of Issuance.

“Qualified Project Period” means, with respect to the Development, the period beginning on the first day on which ten percent (10%) of the Units are occupied and ending on the latest of (i) the date that is fifteen years after the date on which fifty percent (50%) of the Units in the Development are occupied, (ii) the first date on which no tax-exempt private activity bond issued with respect to the Development is outstanding for federal income tax purposes, or (iii) the date on which any assistance provided with respect to the Development under Section 8 of the Housing Act terminates.

“Regulations” means the applicable proposed, temporary or final Income Tax Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

“Related Person” has the meaning set forth in Section 144(a)(3) of the Code, and generally means a partner of the Borrower, a person whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code or a person who, together with the Borrower, is a member of the same controlled group of corporations (as defined in Section 1563(a) of the Code, except that “more than 50 percent” shall be substituted for “at least 80 percent” each place it appears therein).

“Servicer” means Wells Fargo Bank, N.A. as servicer of the Loan and any successor servicer appointed by the Credit Facility Provider.

“State Restrictive Period” means, with respect to the Development, the period beginning on the first day on which the Borrower takes legal possession of the Development, and at least ten percent (10%) of the Units are available for occupancy and ending on the latest of (i) the date that is thirty years after the first day of the State Restrictive Period, (ii) the first date on which no tax-exempt private activity bond issued with respect to the Development is outstanding for federal income tax purposes, or (iii) the date on which any assistance provided with respect to the Development under Section 8 of the Housing Act terminates.

“Tenant Income Certification” means a certification as to income and other matters executed by the household members of each tenant in the Development, in substantially the form available on the Issuer’s website at the time of submission, or in such other form as reasonably may be required by the Issuer in satisfaction of the criteria prescribed by the Secretary of HUD under Section 8(f)(3) of the Housing Act for purposes of determining whether a family is a lower-income family within the meaning of Section 8(f)(1) of the Housing Act and regulations of the Issuer and as described under the headings “Qualified Residential Rental Project” and “Housing Development During the State Restrictive Period” below.

“Unit” means a residential accommodation containing separate and complete facilities for living, sleeping, eating, cooking and sanitation located within the Development.

Completion of the Development

The Borrower represents, covenants and agrees as follows:

(a) The Borrower incurred within six months after the closing date of the Prior Bonds, a substantial binding obligation to commence the development of the Development, pursuant to which the Borrower was obligated to expend at least five percent of the Sale Proceeds of the Prior Bonds.

(b) The Borrower's reasonable expectations respecting the total Development Costs and Qualified Project Costs are accurately set forth in the Borrower Tax Certificate (as defined in the Prior Indenture) for the Prior Bonds, and the actual expenditures.

(c) The Borrower promptly commenced the expenditure of Proceeds for Development Costs and proceeded with due diligence to complete the allocation of Proceeds to Development Costs.

(d) The Borrower reasonably expected to expend not less than 85 percent of the Sale Proceeds of the Prior Bonds for Development Costs prior to the date that was three years after the closing date for the Prior Bonds, and actually expended such amounts within such period.

(e) The statements made in the various certificates delivered by the Borrower to the Issuer or the Trustee are true and correct in all material respects.

(f) [Reserved]

(g) Immediately following the date of completion of the Development, the Borrower submitted to the Issuer and the Prior Trustee a duly executed certificate of completion with respect to the Development.

(h) The Borrower (and any Related Person) will not and has not taken or omitted to take, as is applicable, any action if such action or omission would in any way cause the Proceeds from the sale of the Bonds or the Prior Bonds to be applied in a manner contrary to the requirements of the Indenture, the Financing Agreement or the Regulatory Agreement. The Borrower acknowledges that such requirements have been designed for the purpose of ensuring compliance with the provisions of the Act or the Code applicable to the Borrower and the Development.

(i) None of the Proceeds of the Prior Bonds were used, and none of the Proceeds of the Bonds will be used or have been used to pay or reimburse the cost of providing an airplane, skybox, or other private luxury box, any health club facility, any facility primarily for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

(j) All of the amounts received as Proceeds of the Prior Bonds and disbursed to the Borrower were used to pay Development Costs; at least ninety-five percent of such amounts were used to pay or reimburse the Borrower for payment of Qualified Project Costs as certified by the Borrower on requisitions in the form required by the Indenture; and no Proceeds in an amount of more than two percent of the Sale Proceeds of the Prior Bonds were used to pay, or reimburse the Borrower for payment of, Costs of Issuance of the Bonds.

(k) The sum of all amounts of Sale Proceeds or Investment Proceeds of the Prior Bonds used to reimburse the Borrower or otherwise to pay (directly or indirectly) for the acquisition of land (or an interest therein) did not exceed twenty-five percent of the Sale Proceeds. For this purpose, an amount shall be considered used for the acquisition of land (or an interest therein) to the extent of that portion of the acquisition cost of the Development that is properly allocable for all federal income tax purposes to the land component (including interests in land) of the Development. No portion of the Development is to be used or has been used (directly or indirectly) for farming purposes.

(l) No portion of the Proceeds of the Prior Bonds will be used or was used for the acquisition of any existing property or an interest therein unless (x) the first use of such property was pursuant to such acquisition or (y) the rehabilitation expenditures with respect to any building and the equipment therefor equaled or exceeded 15% of the cost of acquiring such building and equipment financed with the Net Proceeds of the Prior Bonds (with respect to structures other than buildings, this clause shall be applied by substituting 100% for 15%).

(m) The Borrower is a "housing sponsor" as defined in the Act.

(n) Proceeds of the Prior Bonds were allocated to Qualified Project Costs in an amount sufficient to meet the requirements of Section 42(h)(4)(B) of the Code. For all federal tax purposes, Proceeds used to pay Qualified Project Costs shall be allocated on a pro rata basis to each building and the land on which it is located in the Development.

(o) All of the Proceeds of the Bonds will be used to pay principal, interest or redemption price on the Prior Bonds, including issuance cost, accrued interest, and capitalized interest on the Bonds. All of the Prior Bonds will be retired prior to the date that is 90 days after the date on which the Bonds are issued.

Qualified Residential Rental Project

The Borrower shall not take any action or omit to take any action which, if taken or omitted, respectively, would adversely affect the excludability of interest on the Bonds from gross income, as defined in Section 61 of the Code, for federal income tax purposes (subject to the inclusion of any exceptions contained in the opinion delivered upon the original issuance of the Bonds). With the intent not to limit the generality of the foregoing, the Borrower covenants and agrees that prior to the final maturity of the Bonds, unless it has received and filed with the Issuer and Trustee an opinion of Bond Counsel to the effect that failure to comply with any such covenant or agreement, in whole or in part, will not adversely affect the exclusion from gross income for federal income tax purposes of interest paid or payable on the Bonds (other than interest on any Bond for a period during which such Bond is held by a "substantial user" of any facility financed with the proceeds of the Bonds or a "related person," as such terms are used in Section 147(a) of the Code and except as a result of any minimum tax, preference tax or other similar tax):

(a) That the Development will be owned, managed and operated as a "qualified residential rental project" within the meaning of Section 142(d) of the Code, on a continuous basis during the Qualified Project Period, to the end that the interest on the Bonds shall be excluded from gross income for federal income tax purposes. In particular, the Borrower covenants and agrees, at all times during the Qualified Project Period, as follows:

(i) that the Development will qualify as residential rental property and will be owned, managed and operated at all times during the Qualified Project Period as a qualified residential rental project comprised of residential dwelling units and facilities functionally related and subordinate thereto, in accordance with Section 142(d) of the Code;

(ii) that the Development consists of one building or structure or several proximate and interrelated buildings or structures, each of which is a discrete edifice or other man-made construction consisting of an independent foundation, outer walls and a roof, and all of which (A) is located on a single tract of land or two or more parcels of land that are contiguous (i.e., their boundaries meet at one or more points) except for the

interposition of a road, street, stream or similar property, (B) are owned by the same person for federal income tax purposes, and (C) were financed pursuant to a common plan;

(iii) that substantially all of the Development consists of similarly constructed dwelling units together with functionally related and subordinate facilities for use by Development tenants, such as swimming pools, other recreational facilities, parking areas, heating and cooling equipment, trash disposal equipment, units for resident managers, security personnel or maintenance personnel and other facilities that are reasonably required for the Development;

(iv) that each dwelling unit in the Development contains complete facilities for living, sleeping, eating, cooking and sanitation, e.g., a living area, a sleeping area, bathing and sanitation facilities, and cooking facilities equipped with a cooking range, refrigerator and sink, all of which are separate and distinct from other units;

(v) that each dwelling unit in the Development will be rented or available for rental on a continuous basis to Eligible Tenants (subject to the limitations contained in the Regulatory Agreement and the Financing Agreement) at all times during the Qualified Project Period (unless occupied by or reserved for a resident manager, security personnel or maintenance personnel that are functionally related and subordinate to and reasonably required for the Development), that the Borrower will not give preference in renting Units to any particular class or group of persons, other than Persons with Special Needs, to Low-Income Tenants and other Eligible Tenants as provided herein, and that at no time will any portion of the Development be exclusively reserved for use by a limited number of nonexempt persons in their trades or businesses;

(vi) that at no time during the Qualified Project Period will any dwelling unit in any building or structure in the Development which contains fewer than five units be occupied by the Borrower;

(vii) that at no time during the Qualified Project Period will any of the Units in the Development be utilized on a transient basis by being leased or rented for a period of less than thirty days or by being used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium, nursing home, rest home, trailer park or trailer court; and

(viii) that the land and the facilities are functionally related and subordinate to the dwelling units comprising the Development and are of a size and character that is commensurate with the size and number of such dwelling units.

(b) The Borrower represents, covenants and agrees, continuously during the Qualified Project Period, as follows:

(i) At least forty percent of the Units (except for Units occupied or reserved for a resident manager or security or maintenance personnel that are functionally related and subordinate to the Development and are reasonably required for the Development) (the "Set Aside") within the Development that are available for occupancy shall be occupied or held vacant and available for occupancy at all times by Low-Income Tenants. For the purposes of this subparagraph (i), a vacant Unit that was most recently occupied

by a Low-Income Tenant is treated as rented and occupied by a Low-Income Tenant until reoccupied, at which time the character of such Unit shall be redetermined.

(ii) To obtain, complete and maintain on file Tenant Income Certifications from each Low-Income Tenant, including (i) a Tenant Income Certification dated immediately prior to the initial occupancy of each new Low-Income Tenant in the Development and (ii) thereafter, annual Tenant Income Certifications which must be obtained on or before the anniversary of such Low-Income Tenant's occupancy of the unit, and in no event less than once in every 12-month period following each Low-Income Tenant's occupancy of a Unit; provided that, such annual Tenant Income Certificate shall not be required with respect to any year during which no Unit in the Development is occupied by a new tenant who is not a Low Income Tenant. For administrative convenience, the Borrower may establish the first date that a Tenant Income Certification for the Development is received as the annual recertification date for all tenants. The Borrower will obtain such additional information as may be required in the future by Section 142(d) of the Code, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to obligations which are tax-exempt private activity bonds described in Section 142(d) of the Code. The Borrower shall make a diligent and good-faith effort to determine that the income information provided by an applicant in a Tenant Income Certification is accurate by taking steps required under Section 142(d) of the Code pursuant to provisions of the Housing Act. As part of the verification, such steps may include the following, provided such action meets the requirements of Section 142(d) of the Code: (1) obtain pay stubs for the most recent one-month period; (2) obtain income tax returns for the most recent two tax years; (3) conduct a consumer credit search; (4) obtain an income verification from the applicant's current employer; (5) obtain an income verification from the Social Security Administration; or (6) if the applicant is self-employed, unemployed, does not have income tax returns or is otherwise not reasonably able to provide other forms of verification as required above, obtain another form of independent verification as would, in the Borrower's reasonable commercial judgment, enable the Borrower to determine the accuracy of the applicant's income information. The Borrower shall retain all Tenant Income Certifications obtained in compliance with this subsection until the date that is six years after the end of the Qualified Project Period.

(iii) To maintain complete and accurate records pertaining to the Low-Income Units and to permit, at all reasonable times during normal business hours and upon reasonable notice, any duly authorized representative of the Issuer, the Trustee, the Department of the Treasury or the Internal Revenue Service to enter upon the Development Site to examine and inspect the Development and to inspect the books and records of the Borrower pertaining to the Development, including those records pertaining to the occupancy of the Low-Income Units.

(iv) That on or before each February 15 during the Qualified Project Period, to submit to the Issuer (to the attention of the Compliance Department) a draft of the completed Internal Revenue Service Form 8703 or such other annual certification required by the Code to be submitted to the Secretary of the Treasury as to whether the Development continues to meet the requirements of Section 142(d) of the Code and on or before each March 31 during the Qualified Project Period, to submit such completed form

to the Secretary of the Treasury, the Issuer and the Servicer. The Borrower shall retain all documentation required by this subsection (b) until the date that is six years after the end of the Qualified Project Period.

(v) No tenant qualifying as a Low-Income Tenant shall be denied continued occupancy of a Unit in the Development because, after commencement of such occupancy, such tenant's Annual Income increases to exceed the qualifying limit for Low-Income Tenants; provided, however, that, should a Low-Income Tenant's Annual Income, as of the most recent determination thereof, exceed 140% of the then applicable income limit for a Low-Income Tenant of the same family size and such Low-Income Tenant constitutes a portion of the Set Aside, then such tenant shall only continue to qualify for so long as no unit of comparable or smaller size in the building in which such Low Income Tenant's unit is located is rented to a tenant that does not qualify as a Low-Income Tenant.

(vi) To prepare and submit the Compliance Monitoring Report in the form available on the Issuer's website at the time of such submission to the Issuer (via the electronic filing system available on the Issuer's website) in accordance with the Regulatory Agreement. The Borrower shall retain all documentation required by this subsection (b) until the date that is six years after the end of the Qualified Project Period.

The parties hereto recognize that the requirements stated in subsection (a) above and in this subsection (b) shall continue in effect at all times until the termination of the Qualified Project Period.

The Borrower further covenants and agrees to prepare and submit to the Issuer, the Trustee and the Servicer, within sixty days prior to the last day of the Qualified Project Period a certificate setting forth the date on which the Qualified Project Period will end, which certificate shall be in recordable form.

Anything in the Regulatory Agreement to the contrary notwithstanding, it is expressly understood and agreed by the parties hereto that the Issuer and the Trustee may rely conclusively on the truth and accuracy of any certificate, opinion, notice, representation or instrument made or provided by the Borrower in order to establish the existence of any fact or statement of affairs solely within the knowledge of the Borrower, and which is required to be noticed, represented or certified by the Borrower under the Regulatory Agreement or in connection with any filings, representations or certifications required to be made by the Borrower in connection with the issuance and delivery of the Bonds.

Housing Development During the State Restrictive Period

Under the Regulatory Agreement, the Issuer and the Borrower have recognized and declared their understanding and intent that the Development is to be owned, managed and operated as a "housing development," as such term is defined in Section 2306.004(13) of the Act, and in compliance with applicable restrictions and limitations as provided in the Act and the rules of the Issuer until the expiration of the State Restrictive Period.

To the same end, the Borrower hereby represents, covenants and agrees as follows during the State Restrictive Period:

(a) except for Units occupied or reserved for a resident manager and maintenance and security personnel that are reasonably required for the Development, to assure that 100% of

the Units are reserved for Eligible Tenants; provided that, in accordance with the Borrower's election under Section 1372.0321 of the Texas Government Code, 100% of the Units will be reserved for Low-Income Tenants;

(b) to assure that the provisions of subsections (a)(v), (b)(i) and (b)(v) under the heading "Qualified Residential Rental Project" above continue in full force and effect until the end of the State Restrictive Period;

(c) to obtain a Tenant Income Certification from each tenant in the Development (other than resident managers and maintenance and security personnel) not later than the date of such tenant's initial occupancy of a Unit in the Development, and at least annually thereafter, and to maintain a file of all such Tenant Income Certifications, together with all supporting documentation, for a period of not less than six years after the end of the State Restrictive Period;

(d) to obtain from each tenant in the Development (other than resident managers and maintenance and security personnel), at the time of execution of the lease pertaining to the Unit occupied by such tenant, a written certification, acknowledgment and acceptance in such form provided by the Issuer to the Borrower from time to time that (A) such lease is subordinate to the Bond Mortgage and the Regulatory Agreement, (B) all statements made in the Tenant Income Certification submitted by such tenant are accurate, (C) the family income and eligibility requirements of the Regulatory Agreement and the Financing Agreement are substantial and material obligations of tenancy in the Development, (D) such tenant will comply promptly with all requests for information with respect to such requirements from the Borrower, the Trustee and the Issuer, and (E) failure to provide accurate information in the Tenant Income Certification or refusal to comply with a request for information with respect thereto will constitute a violation of a substantial obligation of the tenancy of such tenant in the Development;

(e) to cause to be prepared and submitted to the Issuer (via the electronic filing system available on the Issuer's website) on the first day of the State Restrictive Period, and thereafter by the tenth calendar day of each March, June, September, and December, or other quarterly schedule as determined by the Issuer with written notice to the Borrower, a certified Compliance Monitoring Report and Borrower's certification in a form available on the Issuer's website at the time of submission;

(f) to the extent legally permissible and upon reasonable notice to permit any duly authorized representative of the Issuer or the Trustee to inspect the books and records of the Borrower pertaining to the Development or the incomes of Development tenants, including but not limited to tenant files, during regular business hours and to make copies therefrom if so desired and file such reports as are necessary to meet the Issuer's requirements;

(g) that (A) the Borrower is a "housing sponsor" as defined in the Act and will comply with all applicable requirements of the Act, including submitting (via the electronic filing system available on the Issuer's website) the Fair Housing Sponsor Report to the Issuer in the form attached available on the Issuer's website at the time of submission by March 1 of each year, commencing March 1, 2009, together with a summary of social service programs which must be chosen from the list of Tenant Supportive Services attached as an exhibit to the Regulatory Agreement (the "Program Plan") provided by the Borrower for the Borrower's prior fiscal year and planned tenant programs which must be chosen from the list of Tenant Supportive Services attached as an exhibit to the Regulatory Agreement for the following fiscal year, which Program Plan is subject to review and approval by the Issuer; (B) the Borrower will perform and provide the services set forth in the Program Plan; provided, however, the first Program Plan shall

not be required to be submitted until the date of completion of the Development; and (C) the Borrower will expend at least \$10 per unit per month on Tenant Supportive Services listed on an exhibit attached to the Regulatory Agreement.

(h) to comply with the provisions of Section 2306.269 of the Texas Government Code regarding tenant and manager selection;

(i) to provide regular maintenance to keep the Development sanitary, decent and safe and to comply with the requirements of Section 2306.186 of the Texas Government Code; provided, however, that the Issuer shall first provide notice of any default or breach to the Borrower (with a copy to the Servicer) and the Borrower shall have thirty days to cure such default or breach;

(j) to renew any available rental subsidies which are sufficient to maintain the economic viability of the Development pursuant to Section 2306.185(c) of the Texas Government Code;

(k) the Borrower is not a party to and will not enter into a contract for the Development with, a housing developer that (A) is on the Issuer's debarred list, including any parts of that list that are derived from the debarred list of HUD; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the Borrower has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the Borrower's participation in contracts with the agency and the amount of financial assistance awarded to the Borrower by the agency; and

(l) to cooperate fully with the Issuer with respect to its compliance and oversight requirements and to cause the manager of the project to so comply.

Maximum Allowable Rents

During the State Restrictive Period, the Borrower hereby represents, covenants and agrees that in consideration for and as required by the reservation granted under Chapter 1372 of the Texas Government Code, as amended, the maximum rent charged by the Borrower for 100% of the Units shall not initially exceed the amounts specifically provided in an exhibit attached to the Regulatory Agreement, which amounts shall be annually redetermined by the Borrower, subject to review by the Issuer in connection with its ongoing compliance reviews, and shall not exceed for 100% of the Units, 30% of the income for a family whose income equals 60% of the Median Gross Income for the Area, minus an allowance for utility costs. Such allowances for utility costs shall be determined by the procedures authorized under the federal low-income housing tax credit program.

Sale, Lease or Transfer of Development

The Borrower covenants and agrees not to sell, transfer or otherwise dispose of the Development, prior to the expiration of the Qualified Project Period (other than pursuant to a lease of Units to Eligible Tenants), without (i) complying with any applicable provisions of the Regulatory Agreement, the Financing Agreement and the Bond Mortgage and (ii) obtaining the prior written consent of the Issuer. Such consent of the Issuer shall not be unreasonably withheld and shall be given if the following conditions to the sale or other disposition are met or waived in writing by the Issuer: (1) there is delivered to the Trustee and the Issuer a written opinion of independent legal counsel reasonably satisfactory to the Trustee and the Issuer, addressed to the Trustee and the Issuer, concluding that the transferee has duly assumed all of the rights and obligations of the Borrower under the Regulatory Agreement, the Financing

Agreement, the Borrower Tax Certificate and the other Bond Mortgage Loan Documents and that each of the documents executed by the transferee in connection therewith has been duly authorized, executed and delivered by the transferee and is a valid and enforceable obligation of the transferee, subject to customary qualifications, (2) the Issuer receives an opinion of Bond Counsel, with a copy to the Trustee, which opinion shall be furnished at the expense of the Borrower or the transferee, to the effect that such sale, transfer or disposition will not adversely affect the exclusion from gross income pursuant to the Code of interest on the Bonds (other than interest on any Bond for a period during which such Bond is held by a "substantial user" of any facility financed with the proceeds of the Bonds or a "related person," as such terms are used in Section 147(a) of the Code and except as a result of any minimum tax, preference tax or other similar tax), (3) the Issuer receives an assumption fee equal to .25% of the principal balance of the Bonds Outstanding at the time of such transfer, (4) the proposed purchaser or assignee executes any document requested by the Issuer with respect to assuming the obligations of the Borrower under the Regulatory Agreement, the Financing Agreement, the Borrower Tax Certificate and the other Bond Mortgage Loan Documents, (5) the Issuer shall not have any reason to believe that the purchaser or assignee is incapable, financially or otherwise, of complying with, or may be unwilling to comply with, the terms of all agreements and instruments binding on such proposed purchaser or assignee relating to the Development, including but not limited to the Financing Agreement, the Bond Mortgage Loan, the Bond Mortgage Loan Documents and the Regulatory Agreement, and (6) none of the purchaser or assignee or any affiliated party of such purchaser or assignee is organized as a community housing development organization (as defined in 42 U.S.C. Section 12704) or an entity that qualifies for an exemption from ad valorem taxation under State or federal law. The foregoing provisions shall not apply to transfer by foreclosure or deed in lieu of foreclosure or other similar involuntary transfers, but such provisions shall apply to any transfer subsequent to such involuntary transfers. The Borrower hereby expressly stipulates and agrees that any sale, transfer or other disposition of the Development in violation of this subsection shall be ineffective to relieve the Borrower of its obligations under the Regulatory Agreement. Upon any sale, transfer or other disposition of the Development in compliance with the Regulatory Agreement, the Borrower so selling, transferring or otherwise disposing of the Development shall have no further liability for obligations under the Financing Agreement, the Regulatory Agreement or the Bond Mortgage arising after the date of such disposition. The foregoing notwithstanding, the duties of the Borrower as set forth in the Financing Agreement, the Regulatory Agreement or the Bond Mortgage with respect to matters arising prior to the date of such sale, transfer or other disposition shall not terminate upon the sale, transfer or other disposition of the Development.

No transfer of the Development shall operate to release the Borrower from its obligations under the Regulatory Agreement arising prior to the date of such transfer, but any such transfer shall relieve the Borrower of further liability for obligations under the Financing Agreement, the Regulatory Agreement or the Bond Mortgage arising after the date of such transfer.

The Borrower shall not change its general partner by transfer, sale or otherwise without the prior written consent of the Issuer, which consent will not be unreasonably withheld. A change in the Borrower's general partner includes any transfer of any controlling ownership interest in the general partner other than by death or incapacity.

Default

If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in the Regulatory Agreement, and if such default remains uncured by the Borrower or the Investor Limited Partner for a period of sixty days after written notice thereof shall have been given by the Issuer or the Trustee to the Borrower and the Investor Limited Partner, then the Trustee, acting on its own behalf or on behalf of the Issuer, shall declare an "Event of Default" to have occurred under the Regulatory Agreement; provided, however, that, if the default stated in the notice is of

such a nature that it cannot be corrected within sixty days, such default shall not constitute an Event of Default under the Regulatory Agreement and shall not be declared an Event of Default so long as (i) the Borrower or the Investor Limited Partner institutes corrective action within said sixty days and diligently pursues such action until the default is corrected and (ii) in the opinion of Bond Counsel, the failure to cure said default within sixty days will not adversely affect the exclusion from gross income of interest on the Bonds.

Following the declaration of an Event of Default under the Regulatory Agreement, the Trustee or the Issuer, each subject to being indemnified to its satisfaction with respect to the costs and expenses of any proceeding, may, at its option, take any one or more of the following steps:

- (i) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform its obligations and covenants under the Regulatory Agreement or enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer or the Trustee under the Regulatory Agreement;
- (ii) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Development during regular business hours following reasonable notice; and
- (iii) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower under the Regulatory Agreement;

provided, however, that without the prior written consent of the Servicer, neither the Trustee nor the Issuer may accelerate the Bonds or exercise any remedies available under the Bond Mortgage (except with respect to the Unassigned Rights of the Issuer).

The Borrower hereby agrees that specific enforcement of the Borrower's agreements contained herein is the only means by which the Issuer and the Trustee may obtain the benefits of such agreements made by the Borrower herein, and the Borrower therefore agrees to the imposition of the remedy of specific performance against it in the case of any Event of Default by the Borrower under the Regulatory Agreement. In addition, if the Issuer succeeds in an action for specific performance of an obligation, covenant or agreement of the Borrower contained herein, it is entitled to the relief provided in the Regulatory Agreement.

All rights and remedies herein given or granted are cumulative, nonexclusive and in addition to any and all rights and remedies that the parties may have or may be given by reason of any law, statute, ordinance, document or otherwise notwithstanding the availability of the remedy of specific performance provided for in this Section. Promptly upon determining that a violation of the Regulatory Agreement has occurred, the Issuer or the Trustee, as applicable, shall to the extent that it has actual knowledge thereof, by notice in writing, use its best efforts to inform the Issuer or the Trustee, as applicable, the Borrower and the Servicer (provided that the failure to notify shall not adversely affect the Issuer's or the Trustee's rights under the Regulatory Agreement) that a violation of the Regulatory Agreement has occurred.

The Regulatory Agreement or obligations thereunder may not be enforced by tenants or prospective tenants of the Development (except as described specifically in the Regulatory Agreement) or, except as specifically provided in the Indenture, by the owners of the Bonds.

Term

The Regulatory Agreement and all and each of the provisions therein will become effective upon its execution and delivery, will remain in full force and effect for the periods provided therein and, except as otherwise provided in this Section, shall terminate in its entirety at the end of the State Restrictive Period, it being expressly agreed and understood that the provisions therein are intended to survive the retirement of the Bonds, discharge of the Bond Mortgage Loan, termination of the Financing Agreement and defeasance or termination of the Indenture; provided, however, that the provisions related to the Qualified Project Period that are not incorporated into the State Restrictive Period shall terminate in their entirety at the end of the Qualified Project Period.

The terms of the Regulatory Agreement to the contrary notwithstanding, the requirements set forth therein shall terminate, without the requirement of any consent by the Issuer or the Trustee, and be of no further force and effect in the event of involuntary noncompliance with the provisions of the Regulatory Agreement caused by fire, seizure, requisition, change in a federal or Texas law or an action of a federal agency after the Delivery Date which prevents the Issuer or the Trustee from enforcing the provisions thereof, or foreclosure or transfer of title by deed in lieu of foreclosure or other similar involuntary transfer, condemnation or a similar event, but only if, within a reasonable period thereafter, either the Bonds are retired in full or amounts received as a consequence of such event are used to provide a qualified residential rental project which meets the requirements of the Code and Texas law including, but not limited to, the provisions set forth in the Regulatory Agreement. The provisions of the preceding sentence shall cease to apply and the requirements referred to therein shall be reinstated if, at any time during the Qualified Project Period, after the termination of such requirements as a result of involuntary noncompliance due to foreclosure, transfer of title by deed in lieu of foreclosure or similar event, the Borrower or any Related Person obtains an ownership interest in the Development for federal income tax purposes.

Upon the termination of the terms of the Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of the Regulatory Agreement in accordance with its terms. All costs, including fees and expenses, of the Issuer and the Trustee incurred in connection with the termination of the Regulatory Agreement shall be paid by the Borrower and its successors in interest.

Amendment

Subject to the provisions of the Regulatory Agreement, particularly under the heading "Modification of Tax and Other Restrictive Covenants" (the "Tax Amendment Section"), the Regulatory Agreement shall be amended only by a written instrument executed by the parties thereto and Freddie Mac, or their successors in title, and consented to by the Servicer and duly recorded in the real property records of Harris County, Texas, and only upon receipt by the Issuer (with a copy to the Servicer and the Trustee) of a Favorable Opinion of Bond Counsel, and is not contrary to the provisions of the Act. In addition, during such time that Freddie Mac is the Credit Facility Provider, the Trustee shall provide notices to the Servicer and Freddie Mac as required by the Regulatory Agreement of any amendments to the Regulatory Agreement made pursuant to the Tax Amendment Section.

Covenants Run With the Land

The Borrower hereby subjects the Development (including the Development Site) to the covenants, reservations and restrictions set forth in the Regulatory Agreement. The Issuer, the Trustee and the Borrower hereby declare their express intent that the covenants, reservations and restrictions 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 to the Development; provided, however, that upon the termination of the Regulatory Agreement said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Development or any portion thereof prior to the termination of the Regulatory Agreement shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

No breach of any of the provisions of the Regulatory Agreement shall impair, defeat or render invalid the lien of any mortgage, deed of trust or like encumbrance made in good faith and for value encumbering the Development or any portion thereof.

Freddie Mac Rider

A Freddie Mac Rider (the "Rider") is attached to the Regulatory Agreement, the terms of which are incorporated in the Regulatory Agreement by reference. Notwithstanding anything contained in the Regulatory Agreement to the contrary, for so long as Freddie Mac provides credit enhancement for the Bonds pursuant to the Credit Enhancement Agreement and a Wrongful Dishonor by Freddie Mac has not occurred under the Credit Enhancement Agreement, or if it has occurred, is not continuing, the provisions of the Rider shall control over the provisions of the Regulatory Agreement to the extent of any inconsistency.

Indemnification. Inasmuch as the covenants, reservations and restrictions of the Regulatory Agreement run with the land, the indemnification obligations of the Borrower contained in the Regulatory Agreement will be deemed applicable to any successor in interest to the Borrower, but, it is acknowledged and agreed, notwithstanding any other provision of the Regulatory Agreement to the contrary, that neither Freddie Mac nor any successor in interest to Freddie Mac will assume or take subject to any liability for the indemnification obligations of the Borrower for acts or omissions of the Borrower prior to any transfer of title to Freddie Mac, whether by foreclosure, deed in lieu of foreclosure or comparable conversion of the Bond Mortgage Loan; the Borrower shall remain liable under the indemnification provisions for its acts and omissions prior to any transfer of title to Freddie Mac. Freddie Mac shall indemnify the Issuer following acquisition of the Development by Freddie Mac, by foreclosure, deed in lieu of foreclosure or comparable conversion of the Bond Mortgage Loan, during, and only during, any ensuing period that Freddie Mac owns and operates the Development, provided that Freddie Mac's liability shall be strictly limited to acts and omissions of Freddie Mac occurring during the period of ownership and operation of the Development by Freddie Mac. Except for periods in which Freddie Mac owns and operates the Development and in such case only for such obligations arising during such period, Freddie Mac shall have no indemnification obligations with respect to the Bonds or the Bond Mortgage Loan Documents. The Borrower shall remain liable under the Regulatory Agreement for its actions and omissions prior to any transfer of title to Freddie Mac.

Enforcement. Notwithstanding anything contained in the Regulatory Agreement or the Indenture to the contrary:

(i) the occurrence of an event of default under the Regulatory Agreement shall not, under any circumstances whatsoever, be deemed or constitute a default under the Bond Mortgage Loan Documents, except as may be otherwise specified in the Bond Mortgage Loan Documents;

(ii) none of the Issuer, the Trustee or a Private Claimant (as defined below) may, upon the occurrence of an event of default under the Regulatory Agreement, seek, in any manner,

to (a) cause or direct acceleration of the Bond Mortgage Loan, (b) enforce the Bond Mortgage Note, (c) foreclose on the Bond Mortgage, (d) cause the Trustee to redeem the Bonds or to declare the principal of the Bonds and the interest accrued and unpaid on the Bonds to be immediately due and payable or (e) cause the Trustee to take any other action under any of the Bond Mortgage Loan Documents, any of the Bond Financing Documents or any other documents which action would or could have the effect of achieving any one or more of the actions, events or results described in the preceding clauses (a) through (d); and

(iii) the occurrence of an event of default under the Regulatory Agreement shall not impair, defeat or render invalid the lien of the Bond Mortgage.

No Person other than Freddie Mac shall have the right to (a) declare the principal balance of the Bond Mortgage Note to be immediately due and payable or (b) commence foreclosure or other like action. The Issuer and the Trustee acknowledge the foregoing limitations.

The foregoing prohibitions and limitations are not intended to limit the rights of the Issuer or the Trustee to specifically enforce the Regulatory Agreement or to seek injunctive relief in order to provide for the operation of the Development in accordance with the requirements of the Internal Revenue Code and State law. Accordingly, upon any default by the Borrower, the Issuer or the Trustee may seek specific performance of the Regulatory Agreement or enjoin acts which may be in violation of the Regulatory Agreement or unlawful, but neither the Issuer nor the Trustee may seek any form of monetary recovery from the Borrower, although the Issuer may seek to enforce a claim for indemnification, provided that no obligation of the Borrower under the Regulatory Agreement, including, without limitation, any indemnification obligation, any other obligation for the payment of money, any claim and any judgment for monetary damages against the Borrower, occasioned by breach or alleged breach by the Borrower of its obligations under the Regulatory Agreement or otherwise, shall be secured by or in any manner constitute a lien on, or security interest in, the Development, whether in favor of the Issuer, the Trustee or any other Person, and all such obligations shall be, and by this Rider are, subordinate in priority, in right to payment and in all other respects to the obligations, liens, rights (including without limitation the right to payment) and interests arising or created under the Bond Mortgage Loan Documents. Accordingly, neither the Issuer nor the Trustee shall have the right to enforce any monetary obligation other than directly against the Borrower, without recourse to the Development. In addition, any such enforcement must not cause the Borrower to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Borrower under any applicable liquidation, insolvency, bankruptcy, rehabilitation, composition, reorganization, conservation or other similar law in effect now or in the future.

The obligations of any owner under the Regulatory Agreement shall be personal to the Person who was the owner at the time that an event, including, without limitation, any default or breach of the Regulatory Agreement, occurred or was alleged to have occurred, and such Person shall remain liable for any and all such obligations, including damages occasioned by a default or breach, even after such Person ceases to be the owner of the Development. Accordingly, no subsequent owner of the Development shall be liable or obligated for the obligation of any prior owner (including the Borrower), including, but not limited to, any obligation for payment, indemnification or damages, for default or breach of the Regulatory Agreement or otherwise. The owner of the Development at the time the obligation was incurred, including any obligation arising out of a default or breach of the Regulatory Agreement, shall remain liable for any and all payments and damages occasioned by the owner even after such Person ceases to be the owner of the Development, and no Person seeking such payments or damages shall have recourse against the Development.

Under no circumstances shall the Issuer, the Trustee or a Private Claimant (as defined below):

(i) initiate or take any action which may have the effect, directly or indirectly, of impairing the ability of the Borrower to timely pay the principal of, interest on, or other amounts due and payable under, the Bond Mortgage Loan;

(ii) interfere with or attempt to influence the exercise by Freddie Mac of any of its rights under the Bond Mortgage Loan, including, without limitation, Freddie Mac's remedial rights under the Bond Mortgage Loan Documents upon the occurrence of an event of default by the Borrower under the Bond Mortgage Loan; or

(iii) upon the occurrence of an event of default under the Bond Mortgage Loan, take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Bond Mortgage Loan.

For purposes of this section, "Private Claimant" means a tenant of the Development or any private party who is authorized under the Regulatory Agreement to bring an action to require the Borrower to perform its obligations and covenants under the Regulatory Agreement.

Notice of Violations. Promptly upon determining that a violation of the Regulatory Agreement has occurred, the Issuer or the Trustee shall, by notice in writing to the Borrower, the Servicer and Freddie Mac, inform the Borrower, the Servicer and Freddie Mac that such violation has occurred, the nature of the violation and that the violation has been cured or has not been cured, but is curable within a reasonable period of time, or is incurable; notwithstanding the occurrence of such violation, neither the Issuer nor the Trustee shall have, and each of them acknowledge that they shall not have, any right to cause or direct acceleration of the Bond Mortgage Loan, to enforce the Bond Mortgage Note or to foreclose on the Bond Mortgage.

Amendments. The Regulatory Agreement shall not be amended without the prior written consent of Freddie Mac.

Fees; Penalties. Freddie Mac shall not be liable for the payment of any compensation or any accrued unpaid fees, costs, expenses or penalties otherwise owed by the Borrower or any subsequent owner of the Development prior to the date of acquisition of the Development by Freddie Mac, whether such acquisition is by foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Bond Mortgage Loan.

Subordination. The terms, covenants and restrictions of the Regulatory Agreement, other than those described under the headings "Completion of the Development," "Qualified Residential Rental Development," "Maximum Allowable Rents," "Sale, Lease or Transfer of Development," "Term" and "Covenants to Run with the Land" above and those related to indemnification of the Issuer and payment of its fees, are and shall at all times remain subject and subordinate, in all respects, to the liens, rights and interests created under the Bond Mortgage Loan Documents.

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 Freddie Mac and are entered into for the benefit of various parties, including Freddie Mac. Freddie Mac 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 Issuer or the Trustee to enforce, the terms of the Regulatory Agreement. In addition, Freddie Mac is intended to be and shall be a third-party beneficiary of the Regulatory Agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

The following is a brief summary of certain provisions of the Reimbursement Agreement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Reimbursement Agreement, a copy of which is on file with the Trustee.

The obligations of the Borrower to Freddie Mac under the Credit Enhancement Agreement and other reimbursement Security Documents are evidenced by the Reimbursement Agreement. Under the Reimbursement Agreement, the Borrower has promised to repay Freddie Mac all sums of money Freddie Mac has advanced to the Trustee for the Guaranteed Payments made on the Bond Mortgage Loan as well as any payments made for Purchased Bonds upon a failed remarketing. The Reimbursement Agreement also provides that the Borrower will pay the Freddie Mac Credit Enhancement Fee (as set forth in the Reimbursement Agreement), the servicing fee and other fees, deposits and expenses as provided therein.

Under the provisions of the Reimbursement Agreement, Freddie Mac may declare an Event of Default under the Reimbursement Agreement if:

(a) the Borrower shall fail to pay when due any amount payable by the Borrower under the Reimbursement Agreement, including, without limitation, any fees, costs or expenses;

(b) the Borrower shall fail to perform its obligations under certain specified provisions of the Reimbursement Agreement or fail to perform its obligations under the Reimbursement Agreement to deliver a Subsequent Hedge, to provide notice or satisfactory evidence required in connection with expiration of a Hedge or to provide an executed counterpart of a Subsequent Hedge when required by the Reimbursement Agreement;

(c) the Borrower shall fail to observe or perform any other term, covenant, condition or agreement set forth in the Reimbursement Agreement, which failure continues for a period of thirty days after notice of such failure by Freddie Mac to Borrower (unless such default cannot with due diligence be cured within thirty days but can be cured within a reasonable period and will not, in Freddie Mac's sole discretion, adversely affect Freddie Mac or result in impairment of the Reimbursement Agreement, the Bond Mortgage, the Reimbursement Mortgage or any other Reimbursement Security Document, in which case no Event of Default shall be deemed to exist so long as Borrower shall have commenced to cure the default or Event of Default within thirty days after receipt of notice, and thereafter diligently and continuously prosecutes such cure to completion); provided, however, no such notice or grace periods shall apply in the case of any such failure which could, in Freddie Mac's judgment, absent immediate exercise by Freddie Mac of a right or remedy under the Reimbursement Agreement, result in harm to Freddie Mac, impairment of the Reimbursement Agreement, the Bond Mortgage, the Reimbursement Mortgage or any other Reimbursement Security Document;

(d) the Borrower shall fail to observe or perform any other term, covenant, condition or agreement set forth in any of the other Borrower Documents or there shall otherwise occur an "Event of Default" under the Reimbursement Mortgage or an event of default under any of the other Borrower Documents (taking into account any applicable cure period);

(e) any representation or warranty made by or on behalf of the Borrower in the Reimbursement Agreement, in any other Borrower Document or in any certificate delivered by the Borrower to Freddie Mac or to the Servicer pursuant to the Reimbursement Agreement or any other Borrower Document shall be inaccurate or incorrect in any material respect when made or deemed made;

(f) Freddie Mac shall have given the Borrower written notice that Purchased Bonds have not been remarketed as of the ninetieth day following purchase by the Trustee on behalf of the Borrower and the Borrower has not reimbursed Freddie Mac for the applicable Liquidity Advance or Liquidity Withdrawal and Liquidity Use Fee or has not paid in full all fees and other amounts due to Freddie Mac under the Reimbursement Agreement;

(g) a Reset Period expires and the Borrower has not either (a) received the prior written consent of Freddie Mac to a change in interest mode or the maintenance of the existing mode or (b) delivered an Alternate Credit Facility in accordance with the terms of the Bond Documents; or

(h) a default or event of default occurs under the terms of any other indebtedness permitted to be incurred by the Borrower (after taking into account any applicable cure period).

Upon an Event of Default, Freddie Mac may declare all the obligations of the Borrower under the Reimbursement Agreement to be immediately due and payable, in which case all such obligations shall become due and payable, without presentment, demand, protest or notice of any kind, including notice of default, notice of intent to accelerate or notice of acceleration. In addition to the foregoing, Freddie Mac may take any other action at law or equity without notice or demand, as it deems advisable, to protect and enforce its rights against the Borrower in and to the Development including, but not limited to, the following actions: demand cash collateral or Qualified Investments in the full amount of the obligations under the Bonds whether or not then due and payable by Freddie Mac under the Credit Enhancement Agreement; give written notice to the Trustee stating that an event of default has occurred and is continuing under the Reimbursement Agreement and directing the Trustee to cause the mandatory redemption (or purchase in lieu) of the Bonds; or exercise any rights and remedies available to Freddie Mac under any of the Borrower Documents.

Freddie Mac has the right, to be exercised in its discretion, to waive any Event of Default under the Reimbursement Agreement. Unless such waiver expressly provides to the contrary, any waiver so granted shall extend only to the specific event or occurrence and not to any other similar event or occurrence which occurs subsequent to the date of such waiver.

The obligations of the Borrower under the Reimbursement Agreement will be secured by the Reimbursement Mortgage. The Reimbursement Mortgage will be subordinate to the Bond Mortgage, subject to the terms of the Intercreditor Agreement. Bondholders will have no rights under and are not third-party beneficiaries under the Reimbursement Mortgage.

SUMMARY OF CERTAIN PROVISIONS OF THE INTERCREDITOR AGREEMENT

The following is a brief summary of certain provisions of the Intercreditor Agreement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Intercreditor Agreement, a copy of which is on file with the Trustee.

The Issuer, the Trustee and Freddie Mac have agreed upon their respective rights arising from an Event of Default under any Bond Mortgage Loan Document in the Intercreditor Agreement. Under the terms of the Intercreditor Agreement, the Issuer, the Trustee and Freddie Mac have agreed, among other things, that, until either (a) Freddie Mac fails to honor a draw properly presented in accordance with the terms of the Credit Enhancement Agreement or (b) the Credit Enhancement Agreement terminates in accordance with its terms and all of the Borrower's obligations to Freddie Mac under the Reimbursement Agreement shall have been paid in full, certain of the rights and remedies of the Issuer, the Trustee and Freddie Mac, under certain of the Bond Financing Documents, including (without limitation) the rights

and remedies of the Trustee, as beneficiary of the Bond Mortgage, may be exercised only with the prior written consent of Freddie Mac, in its sole discretion, including (without limitation) the right to waive certain terms and conditions of certain of the Bond Mortgage Financing Documents pertaining to the Borrower.

TAX MATTERS

In the opinion of Bond Counsel, assuming compliance with certain covenants and based on certain representations, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, except with respect to interest on any Bond during any period while it is held by a "substantial user" of the Development or a "related person" within the meaning of Section 147(a) of the Code. The Prior Bonds are "private activity bonds" under the Code that were issued prior to the Housing Assistance Tax Act of 2008 and, therefore, interest on the Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include, among other things, limitations on the use of the bond-financed project, limitations on the use of bond proceeds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States, and a requirement that the Issuer file an information report with the Internal Revenue Service. The Issuer and the Borrower have covenanted in the Indenture, Financing Agreement and Regulatory Agreement that they will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Indenture, Financing Agreement and Regulatory Agreement pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the Issuer, the Borrower and the Underwriter with respect to matters solely within the knowledge of the Issuer, the Borrower and the Underwriter, respectively, which Bond Counsel has not independently verified. If the Issuer or the Borrower should fail to comply with the covenants in the Indenture, Financing Agreement and Regulatory Agreement or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of original delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

In the case of bonds used to provide residential rental housing, such as the Bonds, Section 142 of the Code requires that such bonds also satisfy the tenant eligibility requirements applicable to "qualified residential rental projects" under Section 142(d) of the Code. Section 142(d) of the Code requires that at all times during the Qualified Project Period a certain percentage of the units in the Development are to be occupied by individuals with income below certain levels as provided in Section 142(d) of the Code. The "Qualified Project Period" for the Development commenced on the first day on which 10 percent of the units in the Development were occupied and will end on the latest of the following: (1) the date that is 15 years after the date on which at least 50 percent of the units in the Development were first occupied; (2) the date on which no tax-exempt private activity bond (as defined in Section 141 of the Code) remains outstanding; or (3) the date on which any assistance provided with respect to each such project under Section 8 of the United States Housing Act of 1937, as amended, terminates. The United States Department of Treasury issued regulations (the "Regulations") setting forth requirements for compliance with a comparable provision of the predecessor of Section 142 of the Code. The Regulations require, among other things, that (1) the low-income set aside requirement of this predecessor provision must be met on a continuous basis during the Qualified Project Period, and (2) all of the units in the Development must be rented or available for rental to the general public on a continuous basis during the Qualified

Project Period. Under the Regulations, the failure to satisfy the foregoing requirements on a continuous basis or the failure to satisfy any of the other requirements of the Regulations will, unless corrected within a reasonable period of not more than 60 days after such non-compliance is first discovered or would have been discovered by the exercise of reasonable diligence, cause interest on the Bonds to be includable in gross income for federal income tax purposes as of the date of their original issue, irrespective of the date such non-compliance actually occurred.

The Issuer has established requirements, procedures and safeguards that it believes to be sufficient to ensure compliance with the requirements of the Code and the Regulations with respect to the Development. Such requirements, procedures and safeguards are incorporated into the Regulatory Agreement, the Financing Agreement and the Indenture. In addition, the Issuer and the Trustee have each covenanted in the Indenture to follow and enforce such procedures to ensure compliance with such requirements. However, no assurance can be given that in the event of a breach of any of the provisions or covenants described above, the remedies available to the Issuer and the Trustee can be judicially enforced in such manner as to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income for federal income tax purposes of the interest on the Bonds. Furthermore, if the Borrower fails to comply with the Regulatory Agreement or the Financing Agreement, the enforcement remedies available to the Issuer, the Trustee and the holders of the Bonds are severely limited and may be inadequate to prevent the loss of the excludability from gross income for federal income tax purposes of the interest on the Bonds retroactive to the date of issuance of the Bonds. In such event, there is no provision for acceleration or redemption of the Bonds, and the holders of the Bonds may be required to hold the Bonds until maturity bearing interest that is includable in gross income for federal income tax purposes.

The Code imposes an alternative minimum tax on the "alternative minimum taxable income" of an individual, if the amount of such alternative minimum tax is greater than the amount of such individual's regular income tax. Generally, the alternative minimum tax rate for individuals is 26 percent of such taxable excess as does not exceed \$175,000 plus 28 percent of so much of such taxable excess as exceeds \$175,000. The Code also imposes a 20 percent alternative minimum tax on the "alternative minimum taxable income" of a corporation, if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of an individual or corporation will include items of tax preference under the Code, such as the amount of interest received on "private activity bonds," such as the Prior Bonds (and bonds, such as the Bonds, refunding such bonds), issued after August 7, 1986 and prior to the enactment of the Housing Assistance Tax Act of 2008. Accordingly, Bond Counsel's opinion will state that interest on the Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations and the environmental tax imposed on corporations.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profit tax" on their effectively-connected earnings and profits, including tax-exempt

interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on Bonds, received or accrued during the year.

BOND COUNSEL'S OPINIONS ARE BASED ON EXISTING LAW, WHICH IS SUBJECT TO CHANGE. SUCH OPINIONS ARE FURTHER BASED ON BOND COUNSEL'S KNOWLEDGE OF FACTS AS OF THE DATE THEREOF. BOND COUNSEL ASSUMES NO DUTY TO UPDATE OR SUPPLEMENT ITS OPINIONS TO REFLECT ANY FACTS OR CIRCUMSTANCES THAT MAY THEREAFTER COME TO BOND COUNSEL'S ATTENTION OR TO REFLECT ANY CHANGES IN ANY LAW THAT MAY THEREAFTER OCCUR OR BECOME EFFECTIVE. MOREOVER, BOND COUNSEL'S OPINIONS ARE NOT A GUARANTEE OF RESULT AND ARE NOT BINDING ON THE INTERNAL REVENUE SERVICE (THE "SERVICE"); RATHER, SUCH OPINIONS REPRESENT BOND COUNSEL'S LEGAL JUDGMENT BASED UPON ITS REVIEW OF EXISTING LAW AND IN RELIANCE UPON THE REPRESENTATIONS AND COVENANTS REFERENCED ABOVE THAT IT DEEMS RELEVANT TO SUCH OPINIONS. THE SERVICE HAS AN ONGOING AUDIT PROGRAM TO DETERMINE COMPLIANCE WITH RULES THAT RELATE TO WHETHER INTEREST ON STATE OR LOCAL OBLIGATIONS IS INCLUDABLE IN GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. NO ASSURANCE CAN BE GIVEN WHETHER OR NOT THE SERVICE WILL COMMENCE AN AUDIT OF THE BONDS. IF AN AUDIT IS COMMENCED, IN ACCORDANCE WITH ITS CURRENT PUBLISHED PROCEDURES THE SERVICE IS LIKELY TO TREAT THE ISSUER AS THE TAXPAYER AND THE OWNERS MAY NOT HAVE A RIGHT TO PARTICIPATE IN SUCH AUDIT. PUBLIC AWARENESS OF ANY FUTURE AUDIT OF THE BONDS COULD ADVERSELY AFFECT THE VALUE AND LIQUIDITY OF THE BONDS DURING THE PENDENCY OF THE AUDIT REGARDLESS OF THE ULTIMATE OUTCOME OF THE AUDIT.

The proposed form of opinion of Bond Counsel is attached hereto as Appendix B.

UNDERWRITING AND REMARKETING

Underwriting

The Underwriter has agreed, subject to certain conditions, to purchase all, but not less than all, of the Bonds pursuant to a Bond Purchase Agreement dated as of November 24, 2008 (the "Bond Purchase Agreement") among the Underwriter, the Issuer and the Borrower, at a price of 100% of the principal amount of the Bonds, plus accrued interest. The Bond Purchase Agreement provides that the Underwriter will receive an underwriting fee from the Borrower in the amount of \$37,026.39.

The Borrower has agreed to indemnify the Issuer, the Underwriter and the purchaser of the Bonds with respect to information in the Official Statement relating to the Borrower and the Development and the description of the sources and uses of funds.

Remarketing

Stern Brothers & Co. will act as the Remarketing Agent under the Indenture and under a Remarketing Agreement dated as of November 1, 2008, between the Remarketing Agent and the Borrower. The Remarketing Agent will offer for sale for the account of each Bond owner and use its best efforts to sell an aggregate principal amount of Bonds equal to the amount of Bonds tendered at the option of any Bond owner without selling any such Bonds at a discount or premium; provided, however, that the

Remarketing Agent will not be obligated to remarket any Bonds after the occurrence of an Event of Default which is a default in the payment of principal of, or interest on, the Bonds. During any period the Bonds bear interest at the Variable Rate, the Borrower will pay the Remarketing Agent an annual remarketing fee.

Disclosure Concerning Sales by Remarketing Agent

The Remarketing Agent is Paid by the Borrower. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed by the Borrower and is paid by the Borrower for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Bonds.

The Remarketing Agent Routinely Purchases Bonds for its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account and, in its sole discretion, routinely acquires such tendered Bonds in order to achieve a successful remarketing of the Bonds (i.e., because there otherwise are not enough buyers to purchase the Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Bonds by routinely purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Bonds. The Remarketing Agent may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may result in fewer Bonds being tendered in a remarketing.

Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rates of interest that, in its judgment, is the lowest rate that would permit the sale of the respective series of the Bonds bearing interest at the applicable interest rates at par plus accrued interest, if any, on and as of the applicable Variable Interest Computation Date. The interest rates will reflect, among other factors, the level of market demand for each series of the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Bonds tendered and remarketed on a Variable Interest Computation Date, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price. In the event the Remarketing Agent owns any Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Bonds on any date, including the Variable Interest Computation Date, at a discount to par to some investors.

The Ability to Sell the Bonds other than through Tender Process May Be Limited. The Remarketing Agent may buy and sell Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who

purchase the Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process.

ISSUER'S FINANCIAL ADVISOR

RBC Capital Markets Corporation has acted as financial advisor (the "Financial Advisor") to the Issuer in connection with the structuring and sale of the Bonds. The Financial Advisor has not provided services to the Issuer with respect to the Swap to be entered into by the Borrower, as referenced below. Certain of the fees and expenses of the Financial Advisor will be contingent upon the issuance of the Bonds.

The Royal Bank of Canada ("RBC") is serving as the Counterparty under a Swap (as each term is defined in the Reimbursement Agreement) entered into on the Delivery Date by the Borrower and RBC. RBC is the parent company to the Financial Advisor.

RATINGS

As a condition to the offering of the Bonds on the Delivery Date, Standard & Poor's Rating Services (the "Rating Agency") has assigned the ratings set forth on the cover of this Official Statement to the Bonds. The ratings reflect only the view of the Rating Agency, and an explanation of the significance of such ratings may be obtained directly from the Rating Agency. There is no assurance that any ratings will continue for any given period of time or that the current ratings will not be revised downward or withdrawn entirely if, in the judgment of the Rating Agency, circumstances so warrant. Any such downward revision or withdrawal of the rating on a series of Bonds may have an adverse effect on the market price of such Bonds.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the issuance and delivery of the Bonds are subject to the approving opinion of Vinson & Elkins L.L.P., Austin, Texas, Bond Counsel. A complete copy of the proposed form of opinion of Bond Counsel is attached as Appendix B.

Certain legal matters will be passed upon for the Borrower by its counsel, Morris, Manning & Martin, LLP, Atlanta, Georgia; for Freddie Mac by its Legal Department and by its special counsel, Katten Muchin Rosenman LLP, Washington, D.C.; and for the Underwriter by its counsel, Gilmore & Bell, P.C., Kansas City, Missouri. Fees and expenses of certain of the above-mentioned counsel are contingent upon the issuance and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the offering of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the State and the United States of America and bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

The various legal opinions to be delivered concurrently with the offering of the Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon or of the future performance of parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

The remedies available to the Bondholders upon a default under the Indenture or Financing Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the federal bankruptcy code), the remedies provided in the Indenture and the Financing Agreement may not be readily available or may be limited.

NO LITIGATION

The Issuer

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body for which service of process has been effected on the Issuer or, to the knowledge of the Issuer, threatened against or affecting the Issuer, or to its knowledge, any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Official Statement, the validity or enforceability of the Bonds, the exclusion of interest on the Bonds from the gross income of the Holders of the Bonds for federal income tax purposes or the validity or enforceability of the Bonds, the Indenture, the Financing Agreement, the Bond Mortgage Note or any other agreement or instrument to which the Issuer is a party.

The Borrower

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body for which service of process has been effected on the Borrower or, to the knowledge of the Borrower, threatened against or affecting the Borrower, or to its knowledge, any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by this Official Statement, the exclusion of interest on the Bonds from the gross income, for federal income tax purposes, of the Holders of the Bonds or the validity or enforceability of the Bonds, the Indenture, the Financing Agreement, the Bond Mortgage Note or any other agreement or instrument to which the Borrower is a party and which is used or contemplated for use in the transactions contemplated by this Official Statement.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee, the Issuer and the Holders of the Bonds upon an Event of Default under the Financing Agreement, the Regulatory Agreement or the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, including specifically the Federal Bankruptcy Code, the remedies provided for under the Federal Bankruptcy Code, the Financing Agreement, the Regulatory Agreement or the Indenture may not be readily available or may be limited.

In addition, the Financing Agreement and the Regulatory Agreement both provide that the payment obligations of the Borrower contained in such agreements (other than certain obligations to the Issuer and the Trustee individually and not on behalf of the Holders of the Bonds) will be limited obligations payable solely from the income and assets of the Borrower, and that no member of the Borrower will have any personal liability for the satisfaction of any payment obligation of the Borrower under such agreements or of any claim against the Borrower arising out of such agreements or the Indenture.

The various legal opinions to be delivered concurrently with the offering of the Bonds will be qualified as to the enforceability of various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the State and the United States of America and bankruptcy, reorganization,

insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

MISCELLANEOUS

Copies of the Indenture, the Financing Agreement, the Regulatory Agreement, the Credit Enhancement Agreement and the Reimbursement Agreement are on file at the office of the Trustee and are available for inspection upon request.

This Official Statement is submitted in connection with the offering of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Issuer or the Borrower and the purchasers or holders of any of the Bonds.

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APPENDIX A

DEFINITIONS OF CERTAIN TERMS

In addition to the terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in this Official Statement. Terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Indenture, the Financing Agreement, the Regulatory Agreement, the Credit Enhancement Agreement and the Reimbursement Agreement.

“Account” means an account established within a Fund.

“Act” means Chapter 2306, Texas Government Code, as amended from time to time, and other applicable provisions of law.

“Administration Fund” means the Administration Fund established by the Trustee pursuant to the Indenture.

“Alternate Credit Facility” means a letter of credit, surety bond, insurance policy, standby purchase agreement, guaranty, mortgage-backed security or other credit facility, collateral purchase agreement or similar agreement issued by a financial institution (including without limitation Freddie Mac) which provides security for the payment of (a)(i) the principal of and interest on the Bonds (but in no case less than all of the Outstanding Bonds when due) or (ii) the Bond Mortgage Loan in an amount not less than the Guaranteed Payment, and (b) the Purchase Price of the Bonds, which Alternate Credit Facility is provided in accordance with the Financing Agreement.

“Alternate Credit Facility Provider” means the provider of an Alternate Credit Facility.

“Asset Oversight Agent” means the Asset Oversight Agent selected by the Issuer, initially the Texas Department of Housing and Community Affairs.

“Asset Oversight Agent’s Fee” shall have the meaning set forth in the Asset Oversight Agreement.

“Asset Oversight Agreement” means the Asset Oversight Agreement of even date herewith, between the Borrower and the Asset Oversight Agent, as the same may be amended, modified or supplemented from time to time.

“Authorized Borrower Representative” means any person or persons who at the time and from time to time may be designated as such, by written certificate furnished by the Borrower to the Issuer and the Trustee containing the specimen signature of such person and signed by the Borrower, which certificate may designate an alternate or alternates.

“Authorized Denomination” means: (a) with respect to Bonds during any Variable Period, \$100,000 principal amount or any integral multiple of \$5,000 greater than \$100,000; and (b) with respect to Bonds during any Reset Period or the Fixed Rate Period, \$5,000 principal amount or any integral multiple thereof.

“Authorized Issuer Representative” means the Chairman, Vice Chair or Secretary of the governing board of the Issuer, the Executive Director of the Issuer, the Deputy Executive Director of Programs of the Issuer, the Deputy Executive Director of Housing Operations of the Issuer, the Chief of Agency Administration of the Issuer, the Director of Financial Administration of the Issuer, the Director of Bond Finance of the Issuer and the Director of Multifamily Finance Production of the Issuer or such

[Borrower's Signature Page to Official Statement]

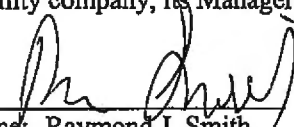
ALTA CULLEN LIMITED PARTNERSHIP, a Texas limited partnership

By: Wood Alta Cullen, L.P., a Georgia limited partnership, its general partner

By: WP West Development Enterprises GP, L.L.C., a Delaware limited liability company, its General Partner.

By: WP West Development Enterprises, L.L.C., a Delaware limited liability company, its Sole Member and Manager

By: Wood Real Estate Investors, L.L.C., a Delaware limited liability company, its Manager

By: 
Name: Raymond J. Smith
Title: Vice President

APPENDIX A

DEFINITIONS OF CERTAIN TERMS

In addition to the terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in this Official Statement. Terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Indenture, the Financing Agreement, the Regulatory Agreement, the Credit Enhancement Agreement and the Reimbursement Agreement.

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“Asset Oversight Agent’s Fee” shall have the meaning set forth in the Asset Oversight Agreement.

“Asset Oversight Agreement” means the Asset Oversight Agreement of even date herewith, between the Borrower and the Asset Oversight Agent, as the same may be amended, modified or supplemented from time to time.

“Authorized Borrower Representative” means any person or persons who at the time and from time to time may be designated as such, by written certificate furnished by the Borrower to the Issuer and the Trustee containing the specimen signature of such person and signed by the Borrower, which certificate may designate an alternate or alternates.

“Authorized Denomination” means: (a) with respect to Bonds during any Variable Period, \$100,000 principal amount or any integral multiple of \$5,000 greater than \$100,000; and (b) with respect to Bonds during any Reset Period or the Fixed Rate Period, \$5,000 principal amount or any integral multiple thereof.

“Authorized Issuer Representative” means the Chairman, Vice Chair or Secretary of the governing board of the Issuer, the Executive Director of the Issuer, the Deputy Executive Director of Programs of the Issuer, the Deputy Executive Director of Housing Operations of the Issuer, the Chief of Agency Administration of the Issuer, the Director of Financial Administration of the Issuer, the Director of Bond Finance of the Issuer and the Director of Multifamily Finance Production of the Issuer or such

other person at any time designated by the Issuer to act on behalf of the Issuer, as evidenced by a written certificate delivered to the Borrower and the Trustee containing the specimen signature of such person and signed by one of the above titled officers. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties and exercise all powers of an Authorized Issuer Representative. The Trustee may conclusively presume that a person designated in a written certificate filed with it as an Authorized Issuer Representative is an Authorized Issuer Representative until such time as the Issuer files with it (with a copy to the Borrower) a written certificate revoking such person's authority to act in such capacity.

"Authorized Officer" means (a) when used with respect to the Issuer, any Authorized Issuer Representative, (b) when used with respect to the Borrower, any member of the general partner of the Borrower and such additional Person or Persons, if any, duly designated by the Borrower in writing to act on its behalf, (c) when used with respect to the Trustee, any authorized signatory of the Trustee, or any Person who is authorized in writing to take the action in question on behalf of the Trustee, (d) when used with respect to the Servicer, any authorized signatory of the Servicer and such additional Person or Persons, if any, duly designated by the Servicer in writing to act on its behalf, (e) when used with respect to the Remarketing Agent, any officer of the Remarketing Agent and such additional Person or Persons, if any, duly designated by the Remarketing Agent in writing to act on its behalf, (f) when used with respect to the Tender Agent, any authorized signatory of the Tender Agent and such additional Person or Persons, if any, duly designated by the Tender Agent in writing to act on its behalf, and (g) when used with respect to the Credit Facility Provider, any Person who is authorized in writing to take the action in question on behalf of the Credit Facility Provider.

"Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy," as now and hereafter in effect, or any successor federal statute.

"Bond Counsel" means any firm of attorneys selected by the Issuer experienced in matters relating to the issuance of obligations by states and their political subdivisions that is listed as municipal bond attorneys in The Bond Buyer's Municipal Marketplace and is acceptable to the Credit Facility Provider and initially shall mean Vinson & Elkins L.L.P.

"Bond Fee Component" means the regular, ongoing fees from time to time of the Issuer, the Asset Oversight Agent, the Trustee, the Remarketing Agent, the Tender Agent, the Custodian and the Rebate Analyst, if any, expressed as a flat, fixed amount or in terms of a percentage of the principal amount of Outstanding Bonds (including Purchased Bonds) on an annual basis.

"Bond Financing Documents" means, collectively, the Indenture, the Bonds, the Financing Agreement, the Remarketing Agreement, the Tax Certificate and the Bond Mortgage Loan Documents, and all other documents, instruments and agreements executed and delivered in connection with the issuance, sale, delivery and/or remarketing of the Bonds, as each such agreement or instrument may be amended, supplemented or restated from time to time.

"Bond Fund" means the Bond Fund established by the Trustee pursuant to the Indenture.

"Bond Mortgage" means the First Multifamily Deed of Trust, Assignment of Rents and Security Agreement and Fixture Filing dated as of November 1, 2008, together with all riders and addenda thereto, granting a first priority mortgage and security interest in the Development to the Issuer to secure the repayment of the Bond Mortgage Loan, which Bond Mortgage has been assigned by the Issuer to the Trustee as the same may be amended, supplemented or restated.

"Bond Mortgage Loan" means the loan made by the Issuer to the Borrower pursuant to the Bond Mortgage Loan Documents.

“Bond Mortgage Loan Documents” means the Bond Mortgage, the Bond Mortgage Note, the Financing Agreement, the Regulatory Agreement, any Custodial Escrow Agreement, the Credit Facility, the Reimbursement Agreement, the Reimbursement Mortgage, the Intercreditor Agreement, the Pledge Agreement and any and all other instruments and other documents evidencing, securing, or otherwise relating to the Bond Mortgage Loan or any portion thereof, or evidencing, securing or otherwise relating to the Borrower’s obligations to the Credit Facility Provider in connection with the delivery of the Credit Facility.

“Bond Mortgage Loan Fund” means the Bond Mortgage Loan Fund established by the Trustee pursuant to the Indenture.

“Bond Mortgage Note” means the Bond Mortgage Note dated November 1, 2008 from the Borrower to the Issuer, including all riders and addenda thereto, evidencing the Borrower’s obligation to repay the Bond Mortgage Loan, as the same may be amended, supplemented or restated from time to time, which Bond Mortgage Note will be delivered to the Issuer and endorsed by the Issuer to the Trustee.

“Bond Purchase Fund” means the Bond Purchase Fund established by the Tender Agent pursuant to the Indenture.

“Bond Register” means the books or other records maintained by the Bond Registrar setting forth the registered Holders from time to time of the Bonds.

“Bond Registrar” means the Trustee acting as such, and any other bond registrar appointed pursuant to the Indenture.

“Bond Year” means each one-year period that ends on the day selected by the Issuer. The first and last bond years may be short periods. If no day is selected by the Issuer before the earlier of the final Maturity Date of the Bonds or the date that is five (5) years after the Delivery Date, a bond year shall end on each anniversary of the Delivery Date and on the final Maturity Date.

“Bondholder” or *“Holder”* means any Person who shall be the registered owner of any Outstanding Bond or Bonds.

“Borrower’s Tax Certificate” means the Borrower’s Tax Certificate executed by the Borrower and delivered on the Delivery Date.

“Business Day” means any day other than (a) a Saturday, (b) a Sunday, (c) a day on which the Federal Reserve Bank of New York (or other agent acting as the Credit Facility Provider’s fiscal agent identified to the Trustee) is authorized or obligated by law or executive order to remain closed, (d) a day on which the Principal Office of the Credit Facility Provider is closed or (e) a day on which (i) banking institutions in the City of New York or in the city in which the Principal Office of the Trustee, the Tender Agent, the Remarketing Agent or the Principal Office of the Credit Facility Provider is located are authorized or obligated by law or executive order to be closed or (ii) the New York Stock Exchange is closed.

“Certificate of the Issuer,” “Statement of the Issuer,” “Request of the Issuer” and *“Requisition of the Issuer”* mean, respectively, a written certificate, statement, request or requisition signed in the name of the Issuer by an Authorized Officer of the Issuer or such other Person as may be designated and authorized to sign for the Issuer. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

“*Comptroller*” means the Comptroller of Public Accounts of the State of Texas.

“*Computation Date*” means each Installment Computation Date and the Final Computation Date.

“*Cost*,” “*Costs*” or “*Costs of the Development*” means, to the extent authorized by the Act and the Code, costs paid with respect to the Development that are (i) properly chargeable to capital account (or would be so chargeable with a proper election by the Borrower or but for a proper election by the Borrower to deduct such costs) in accordance with general Federal income tax principles and in accordance with United States Treasury Regulations Section 1.103 8(a)(1), (ii) are paid with respect to a qualified residential rental project or projects within the meaning of Section 142(d) of the Code, (iii) are paid after the earlier of 60 days prior to the date of a resolution of the Issuer to reimburse costs of the Development with proceeds of Bonds or the date of issue of the Bonds, and (iv) if the Costs of the Development were previously paid and are to be reimbursed with proceeds of the Bonds such costs were (A) costs of issuance of the Bonds, (B) preliminary capital expenditures (within the meaning of United States Treasury Regulations Section 1.150 2(f)(2)) with respect to the Development (such as architectural, engineering and soil testing services) incurred before commencement of acquisition or rehabilitation of the Development that do not exceed twenty percent (20%) of the issue price of the Bonds (as defined in United States Treasury Regulations Section 1.148-1), or (C) were capital expenditures with respect to the Development that are reimbursed no later than eighteen (18) months after the later of the date the expenditure was paid or the date the Development is placed in service (but no later than three (3) years after the expenditure is paid).

“*Cost of Issuance Fund*” means the Cost of Issuance Fund established by the Trustee pursuant to the Indenture.

“*Costs of Issuance*” has the meaning set forth in the Regulatory Agreement.

“*Costs of Issuance Deposit*” means the deposit to be made by the Borrower with the Trustee on the Delivery Date, which deposit shall equal \$512,019.64 comprised of sources other than the proceeds of the Bonds.

“*Counterparty*” has the meaning given that term in the Reimbursement Agreement.

“*Credit Enhancement Agreement*” means the Credit Enhancement Agreement, dated as of the date of the Indenture, between Freddie Mac and the Trustee, as such Credit Enhancement Agreement may from time to time be amended or supplemented.

“*Credit Facility*” means the Credit Enhancement Agreement or any Alternate Credit Facility at the time in effect.

“*Credit Facility Provider*” means, so long as the Credit Enhancement Agreement is in effect, Freddie Mac, or so long as any Alternate Credit Facility is in effect, the Credit Facility Provider then obligated under the Alternate Credit Facility.

“*Custodial Escrow Account*” means, collectively, the account or accounts established and held by the Servicer, in accordance with the Guide or otherwise, for the purpose of funding (a) escrows for taxes, insurance and related payments and costs, if required by Freddie Mac, (b) a reserve for replacements for the Development, if required by Freddie Mac, and (c) a debt service reserve for the Bond Mortgage Loan, if required by Freddie Mac.

"Custodial Escrow Agreement" means any agreement (which agreement may be in the Guide or the Commitment as applicable) pursuant to which a Custodial Escrow Account is established and maintained.

"Custodian" means U.S. Bank National Association, not in its individual capacity but solely in its capacity as collateral agent for the Credit Facility Provider, and any successor in such capacity.

"Delivery Date" means November 25, 2008, the date of initial delivery of the Bonds to the initial purchasers thereof against payment therefor.

"Development" means the acquisition, construction and equipping of the multifamily residential rental housing project known as Alta Cullen Apartments owned by the Borrower and located in Houston, Harris County, Texas to be refinanced in part with the proceeds of the Bond Mortgage Loan.

"DTC" means The Depository Trust Company, New York, New York, as Securities Depository for the Bonds pursuant to the Indenture or its successors.

"Eligible Funds" means (a) remarketing proceeds received from the Remarketing Agent or any purchaser (other than funds provided by the Borrower, any general partner, member or guarantor of the Borrower or the Issuer), (b) proceeds received pursuant to the Credit Facility, (c) proceeds of the Bonds received contemporaneously with the issuance and sale of the Bonds, (d) proceeds from the investment or reinvestment of money described in clauses (a), (b) and (c) above, or (e) money delivered to the Trustee and accompanied by a written opinion of nationally recognized counsel experienced in bankruptcy matters acceptable to the Rating Agency to the effect that if the Borrower, any general partner, member or guarantor of the Borrower, or the Issuer were to become a debtor in a proceeding under the Bankruptcy Code: (i) payment of such money to holders of the Bonds would not constitute an avoidable preference under Section 547 of the Bankruptcy Code, and (ii) the automatic stay provisions of Section 362(a) of the Bankruptcy Code would not prevent application of such money to the payment of the Bonds.

"Event of Default" or *"event of default"* means any of those events specified in and defined by the applicable provisions of the Indenture to constitute an event of default thereunder.

"Extraordinary Services" means and includes, but not by way of limitation, services, actions and things carried out and all expenses incurred by the Trustee in respect of or to prevent default under the Indenture and the Bond Mortgage Loan Documents, including any attorneys' fees and other litigation costs that are entitled to reimbursement under the terms of the Financing Agreement, and other actions taken and carried out by the Trustee which are not expressly set forth in the Indenture.

"Extraordinary Servicing Fees and Expenses" means all fees and expenses of the Servicer during any Bond Year in excess of Ordinary Servicing Fees and Expenses as set forth in a detailed e-mail to the Borrower.

"Extraordinary Trustee's Fees and Expenses" means all those fees, expenses and disbursements earned or incurred by the Trustee as described in the Indenture during any Bond Year for Extraordinary Services, as set forth in a detailed invoice to the Borrower.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (a) the

investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (b) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (c) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (d) any commingled investment fund in which the Issuer and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of investment.

“Favorable Opinion of Bond Counsel” means, with respect to any action the taking of which requires such an opinion, an unqualified opinion of counsel, which shall be from Bond Counsel, delivered to and in form and substance satisfactory to the Issuer to the effect that such action will not impair the exclusion of interest on the Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion of Bond Counsel delivered upon original issuance of the Bonds or other customary exceptions acceptable to the recipient thereof).

“Final Computation Date” means the date on which the final payment in full of all Outstanding Bonds is made.

“Fixed Rate” means the interest rate borne by the Bonds from and after the Fixed Rate Adjustment Date to the Maturity Date of the Bonds, determined in accordance with the Indenture.

“Fixed Rate Adjustment” means the establishment of the interest rate on the Bonds at the Fixed Rate, pursuant to the Indenture.

“Fixed Rate Adjustment Date” means the date on which the Fixed Rate for the Bonds becomes effective.

“Fixed Rate Period” means the period during which the Bonds bear interest at the Fixed Rate.

“Freddie Mac” means the Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States, and its successors and assigns.

“Freddie Mac Credit Enhancement Fee” has the meaning set forth in the Reimbursement Agreement.

“Freddie Mac Credit Enhancement Payment” has the meaning set forth in the Credit Enhancement Agreement.

“Freddie Mac Reimbursement Amount” has the meaning set forth in the Reimbursement Agreement.

“Fund” means any fund established under the Indenture.

“Government Obligation” means investments meeting the requirements of clauses (a) or (b) of the definition of “Qualified Investments.”

“Gross Proceeds of the Bonds” means any Proceeds and any Replacement Proceeds of the Bonds.

“Guaranteed Payment” means the amount required to be paid to the Trustee pursuant to the Credit Facility, provided that so long as the Credit Enhancement Agreement is the Credit Facility, *“Guaranteed Payment”* shall have the meaning given to that term in the Credit Enhancement Agreement.

“Guide” means the Freddie Mac Multifamily Seller/Servicer Guide (as the same may be amended, modified or supplemented from time to time).

“Hedge Agreement” means any interest rate cap agreement, swap agreement or similar instrument required to be maintained for the benefit of the Credit Facility Provider under the terms of the Reimbursement Agreement.

“Hedge Fee Escrow” has the meaning set forth in the Reimbursement Agreement.

“Index Rate” means a rate equal to the index of the weekly index rate resets of tax exempt variable rate issues included in a database maintained by Municipal Market Data, a Thomson Financial Services Company, or its successors, which meet specific criteria established by The Securities Industry and Financial Markets Association, such index currently known as The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index (formerly the *“USD BMA”* index) or any successor to such index.

“Information Services” means in accordance with then current guidelines of the Securities and Exchange Commission, one or more services selected by the Trustee which are then providing information with respect to called Bonds, or, if the Trustee does not select a service, then such service or services as the Issuer may designate in a certificate of the Issuer delivered to the Trustee.

“Initial Bond” means the initial Bond registered by the Comptroller and subsequently canceled and replaced by a definitive Bond pursuant to the Indenture.

“Installment Computation Date” means the last day of the fifth Bond Year and each succeeding fifth Bond Year.

“Interest Component” has the meaning set forth in the Credit Enhancement Agreement.

“Interest Payment Date” means December 1, 2008, and thereafter (i) for interest accrued during any Variable Period, the first Business Day of each month, (ii) for interest accrued during any Reset Period, May 1 and November 1 of each year, commencing on the May 1 or November 1 next following the applicable Reset Adjustment Date, (iii) for interest accrued on and after the Fixed Rate Adjustment Date, May 1 and November 1 of each year, commencing on the May 1 or November 1 next following the Fixed Rate Adjustment Date, (iv) each Reset Adjustment Date, Variable Rate Adjustment Date, Fixed Rate Adjustment Date, Substitution Date and the Maturity Date of the Bonds, and (v) for Bonds subject to redemption but only with respect to such Bonds, the date of redemption (or purchase in lieu of redemption).

“Interest Requirement” means (a) during the Variable Period, 35 days’ interest computed at the Maximum Rate and (b) during a Reset Period or the Fixed Rate Period, 189 days’ interest computed at the Reset Rate or Fixed Rate, as applicable, or in the case of either (a) or (b), such lesser number of days as is acceptable to the Rating Agency as confirmed in writing by the Rating Agency.

“Investment” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“Investment Proceeds” is defined in Section 1.148-1(b) of the Regulations and generally consists of any amounts actually or constructively received from investing Proceeds.

“Investor Limited Partner” means PNC MultiFamily Capital Institutional Fund XXVI Limited Partnership, a Massachusetts limited partnership, and its successors and assigns.

“Issue Price” means “issue price” as defined in Sections 1273 and 1274 of the Code, unless otherwise provided in Sections 1.148-0 through 1.148-11 of the Regulations and, generally, is the aggregate initial offering price (excluding to bond houses, brokers and similar Persons or organizations acting in the capacity of wholesalers or underwriters) at which a substantial amount (at least 10 percent) of each maturity of Bonds is sold to the public.

“Issuer Administration Fee” means the fee payable annually in arrears to the Issuer on each November 1 in the amount of .10% per annum of the aggregate principal amount of Bonds Outstanding at the inception of each payment period; provided that, on the Delivery Date, the Borrower will pay the Issuer Administration Fee in advance to the Issuer for the period from April 1, 2008 to November 24, 2008; and provided further that the Trustee will remit to the Issuer, from funds provided by the Borrower, all payments of the Issuer Administration Fee due on or after November 1, 2009.

“Issuer Compliance Fee” means the fee payable annually in advance to the Issuer on each November 1, commencing November 1, 2009, in the amount of \$25 per unit in the Development per year (to be increased annually based on any corresponding increase in the Consumer Price Index); provided that, on the Delivery Date, the Borrower will pay the Issuer Compliance Fee to the Issuer for the period from April 1, 2009 to October 31, 2009; and provided further that the Trustee will remit to the Issuer, from funds provided by the Borrower, all payments of the Issuer Compliance Fee due on or after November 1, 2009. The Issuer Compliance Fee is for Bond compliance only, and an additional fee may be charged for tax credit compliance.

“Issuer Documents” means the Intercreditor Agreement, the Issuer’s endorsement of the Bond Mortgage Note, the Financing Agreement, the Indenture, the Bond Mortgage Loan Documents to which the Issuer is a party and the Regulatory Agreement.

“Issuer’s Fee” means the Issuer Administration Fee and the Issuer Compliance Fee.

“Liquidity Advance” means an advance by the Credit Facility Provider pursuant to the terms of the Credit Facility to pay the Purchase Price of any Bonds tendered optionally by Bondholders pursuant to the Indenture which have not been remarketed by the Remarketing Agent pursuant to the Remarketing Agreement and the Indenture and, therefore, with respect to which there are no proceeds of remarketing.

“Market Risk Event” means (a)(i) legislation enacted by the Congress, (ii) a final non-appealable decision rendered by a court established under Article III of the Constitution of the United States, or the United States Tax Court, or (iii) an order, ruling or regulation issued by the United States Department of the Treasury or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of causing interest received by any Bondholder (other than a Bondholder who is a “substantial user” of the Development or a “related person” of a substantial user (each within the meaning of Section 147(a) of the Code)) to be included in the gross income of such Bondholder for purposes of federal income taxation; or (b) legislation enacted or any action taken by the Securities and Exchange Commission which, in the opinion of counsel to the Remarketing Agent, has the effect of requiring the remarketing of the Bonds to be registered under the Securities Act of 1933, as amended (the “Securities Act”), or any other “security,” as defined in the Securities Act, issued in connection with or as part of the remarketing of the Bonds to be so registered or the Indenture to be qualified as an indenture under the Trust Indenture Act of 1939, as

amended; or (c) any event shall have occurred or shall exist which, in the reasonable judgment of the Remarketing Agent, makes or has made untrue or incorrect in any material respect any statement or information contained in a reoffering circular or other disclosure document distributed in connection with the Fixed Rate Adjustment or Reset Adjustment Date or is not or was not reflected in such reoffering circular or other disclosure document but should be or should have been reflected therein in order to make the statements or information contained therein not misleading in any material respect; or (d) in the reasonable judgment of the Remarketing Agent, any event which makes it impractical or inadvisable for the Remarketing Agent to remarket or enforce agreements to remarket Bonds because trading in securities generally has been suspended on the New York Stock Exchange, Inc., or a general banking moratorium has been established by federal, New York or State authorities.

“Maturity Date” means the maturity date of the Bonds set forth in the Indenture.

“Maximum Rate” means 12% per annum; provided that without amendment to any Bond Financing Document the Maximum Rate may be increased to a specified higher Maximum Rate if there shall have been delivered to the Trustee (a) an opinion of Bond Counsel to the effect that such higher Maximum Rate is permitted under applicable law and will not, in and of itself, cause interest on the Bonds to be includable in gross income for federal income tax purposes and (b) either (i) the written consent of the Credit Facility Provider to the specified higher Maximum Rate and evidence that the Credit Facility will cover the Interest Requirement at such higher Maximum Rate, or (ii) a new or amended Credit Facility in an amount equal to the sum of (A) the principal amount of the Outstanding Bonds and (B) the new Interest Requirement calculated using the new Maximum Rate; provided that the Maximum Rate shall never exceed the maximum rate permitted by applicable law to be paid on the Bonds or to be charged on the Bond Mortgage Loan.

“Moody’s” means Moody’s Investors Service, Inc., its successors and assigns.

“Net Proceeds” when used with respect to any insurance or condemnation award, means the proceeds from the insurance or condemnation award with respect to which that term is used remaining after payment of all reasonable expenses incurred in the collection of such proceeds, including reasonable attorney fees.

“No-Arbitrage Certificate” means the No-Arbitrage Certificate of the Issuer, dated the date of issuance of the Bonds, relating to certain federal income tax matters with respect to the Bonds.

“Nonpurpose Investments” means any “investment property”, within the meaning of Section 148(b) of the Code, that is not a purpose investment acquired to carry out the governmental purpose of the Bonds.

“Ordinary Servicing Fees and Expenses” means the ordinary fees payable to the Servicer in connection with the servicing of the Bond Mortgage Loan, payable monthly in arrears as provided in the Reimbursement Agreement.

“Ordinary Trustee’s Fees and Expenses” means the annual administration fee for the Trustee’s ordinary fees and expenses in rendering its services under the Indenture as Trustee during each twelve month period, which fee is equal to (and shall not exceed) the amount set forth in the Indenture and shall be payable on the dates set forth in the Indenture.

“Outstanding” when used with respect to the Bonds or “Bonds Outstanding” means, as of any date, all Bonds that have been duly authenticated and delivered by the Trustee under the Indenture, except:

(i) Bonds surrendered and replaced upon exchange or transfer, or cancelled because of payment or redemption, at or prior to such date;

(ii) Bonds for the payment, redemption or purchase for cancellation of which sufficient money has been deposited prior to such date with the Trustee (whether upon or prior to the maturity, amortization or redemption date of any such Bonds), or which are deemed to have been paid and discharged pursuant to the provisions of the Indenture; provided that if such Bonds are to be redeemed prior to the maturity thereof, other than by scheduled amortization, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee; and

(iii) Bonds in lieu of which others have been authenticated (or payment, when due, of which is made without replacement) under the Indenture; and also except that for

(iv) The purpose of determining whether the Holders of the requisite amount of Bonds Outstanding have made or concurred in any notice, request, demand, direction, consent, approval, order, waiver, acceptance, appointment or other instrument or communication under or pursuant to the Indenture, Bonds owned by or for the account of the Borrower or any Person owned, controlled by, under common control with or controlling the Borrower shall be disregarded and deemed to be not Outstanding unless all Bonds shall be so owned and provided that the Trustee has actual knowledge of the foregoing; provided further that all Purchased Bonds shall be deemed to be Outstanding and the Trustee shall follow any direction provided by the Credit Facility Provider with respect to Purchased Bonds for the purposes of the Indenture (Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee shall establish, to the satisfaction of the Trustee, the pledgee's right to vote such Bonds, and in the event of a dispute as to the existence of such right, any decision by the Trustee taken upon the advice of counsel shall constitute full protection to the Trustee). The term "control" (including the terms "controlling", "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise. Beneficial ownership of 5% or more of a class of securities having general voting power to elect a majority of the board of directors of a corporation shall be conclusive evidence of control of such corporation.

"*Paying Agent*" means the Trustee acting as such, and any other paying agent appointed pursuant to the Indenture.

"*Person*" means an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated association, a limited liability company or a government or any agency or political subdivision thereof, or any other organization or entity (whether governmental or private).

"*Pledge Agreement*" means that certain Pledge, Security and Custody Agreement, dated as of the date of the Indenture, between the Custodian and the Borrower, as originally executed or as modified or amended from time to time, together with any similar agreement executed in connection with an Alternate Credit Facility, as originally executed or as amended or modified from time to time.

"*Principal Component*" has the meaning set forth in the Credit Enhancement Agreement.

“Principal Office of the Credit Facility Provider” means the office of Freddie Mac located at 8100 Jones Branch Drive, McLean, Virginia 22102 or such other office or offices as Freddie Mac may designate from time to time, or the office of any Alternate Credit Facility Provider where it principally conducts its business of serving as credit facility provider under indentures pursuant to which municipal or governmental obligations are issued, or such other office or offices as the Alternate Credit Facility Provider may designate from time to time.

“Principal Office of the Remarketing Agent” means the office of the Remarketing Agent located at the address set forth in the Indenture, or such other office or offices as the Remarketing Agent may designate from time to time, or the office of any successor Remarketing Agent where it principally conducts its business of serving as remarketing agent under indentures pursuant to which municipal or governmental obligations are issued.

“Principal Office of the Tender Agent” means the office of the Tender Agent located at the address set forth in the Indenture, or such other office or offices as the Tender Agent may designate from time to time, or the office of any successor Tender Agent where it principally conducts its business of serving as tender agent under indentures pursuant to which municipal or governmental obligations are issued.

“Principal Office of the Trustee” means the office of the Trustee located at the address set forth in the Indenture, or such other office or offices as the Trustee may designate from time to time, or the office of any successor Trustee where it principally conducts its business of serving as trustee under indentures pursuant to which municipal or governmental obligations are issued.

“Principal Reserve Fund” means the Principal Reserve Fund established by the Trustee pursuant to the Indenture.

“Principal Reserve Schedule” means the Principal Reserve Schedule calculated in accordance with, and attached as an exhibit to, the Reimbursement Agreement as the same may be amended from time to time.

“Principal Reserve Schedule Payments” means the payments to be made by the Borrower in accordance with the Principal Reserve Schedule as set forth in the Reimbursement Agreement.

“Prior Indenture” means the Trust Indenture dated as of April 1, 2005 by and between the Issuer and the Prior Trustee pursuant to which the Prior Bonds were issued.

“Proceeds” is defined in Section 1.148-1(b) of the Regulations and generally means any Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Bonds.

“Purchase Price,” with respect to any Bond required to be purchased as described under the headings “Adjustment of the Interest Rate on the Bonds,” “Demand for and Mandatory Purchase of the Bonds” and “Mandatory Tender of Bonds on Substitution Date”, means the principal amount of such Bond plus interest accrued and unpaid thereon to the Settlement Date and, with respect to any Bond to be purchased as described under the heading “Purchase of Bonds in Whole in Lieu of Redemption”, means the principal amount of such Bond plus any redemption premium due thereon plus interest accrued and unpaid thereon to the Settlement Date.

“Purchased Bond” means any Bond during the period from and including the date of its purchase by the Trustee on behalf of the Borrower with amounts provided by the Credit Facility Provider under the Credit Facility, to, but excluding, the date on which such Bond is remarketed to any Person other than the

Credit Facility Provider, the Borrower, any general partner, member or guarantor of the Borrower or the Issuer. All Purchased Bonds are to be held in certificated form under and pursuant to the Pledge Agreement.

“Qualified Investments” means any of the following if and to the extent permitted by law: (a) direct and general obligations of the United States of America; (b) obligations of any agency or instrumentality of the United States the payment of the principal of and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America; (c) senior debt obligations of Freddie Mac; (d) senior debt obligations of Fannie Mae; (e) demand deposits or time deposits with, or certificates of deposit issued by, the Trustee or its affiliates or any bank organized under the laws of the United States or any state or the District of Columbia which has combined capital, surplus and undivided profits of not less than \$50,000,000; provided that the Trustee or such other institution has been rated at least “A-1+” by S&P which deposits or certificates are fully insured by the Federal Deposit Insurance Corporation; (f) investment agreements with Freddie Mac or a bank or any insurance company or other financial institution which has a rating assigned by S&P to its outstanding long term unsecured debt which is the highest rating (as defined below) for long term unsecured debt obligations assigned by S&P, and which are approved by the Credit Facility Provider; or (g) shares or units in any money market mutual fund (including other mutual funds of the Trustee or its affiliates) registered under the Investment Company Act of 1940, as amended, whose investment portfolio consists solely of direct obligations of the United States government, and which fund has been rated “AAA” by S&P or (h) any other investments approved in writing by the Credit Facility Provider. For purposes of this definition, the “highest rating” shall mean a rating of at least “A-1+” for obligations with less than one year maturity; at least “AAA”/“A-1+” for obligations with a maturity of one year or greater but less than three years; and at least “AAA” for obligations with a maturity of three years or greater. Qualified Investments must be limited to instruments that have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change and interest, if tied to an index, shall be tied to a single interest rate index plus a single fixed spread, if any, and move proportionately with such index.

“Qualified Project Costs” has the meaning given to that term in the Regulatory Agreement.

“Rating Agency” means each national rating agency then maintaining a rating on the Bonds, or any successor or assign thereof.

“Reasonably Required Reserve or Replacement Fund” means any fund described in Section 148(d) of the Code provided that the amount thereof allocable to the Bonds invested at a Yield materially higher than the Yield on the Bonds does not exceed at any time the least of (a) 10% of the stated principal amount of the Bonds (or Sale Proceeds in the event that the amount of original issue discount exceeds two percent multiplied by the stated redemption price at maturity of the Bonds), (b) the maximum annual principal and interest requirements of the Bonds, and (c) 125 percent of average annual principal and interest requirements of the Bonds, within the meaning of Section 148(d) of the Code.

“Rebate Amount” has the meaning ascribed in Section 1.148-3(b) of the Regulations and generally means the excess as of any date of the future value of all receipts on Nonpurpose Investments over the future value of all payments on Nonpurpose Investments all as determined in accordance with Section 1.148-3 of the Regulations. In the case of any Temporary Period Issue, the “Rebate Amount” as of any Computation Date shall be limited to the “Rebate Amount” attributable to any Reasonably Required Reserve or Replacement Fund.

“Rebate Analyst” means a Person that is (i) qualified and experienced in the calculation of rebate payments under Section 148 of the Code and in compliance with the arbitrage rebate Regulations

promulgated under the Code, (ii) chosen by the Borrower and (iii) engaged for the purpose of determining the amount of required deposits, if any to the Rebate Fund.

“Rebate Fund” means the Rebate Fund established by the Trustee pursuant to the Indenture.

“Record Date” means, during any Variable Period, the close of business on the Business Day immediately preceding an Interest Payment Date and during any Reset Period or the Fixed Rate Period, the close of business on the 15th day of the month (whether or not a Business Day) next preceding the month in which any Interest Payment Date falls.

“Redemption Fund” means the Redemption Fund established by the Trustee pursuant to the Indenture.

“Regulations” has the meaning given to that term in the Regulatory Agreement.

“Related Party” means a related party within the meaning of Section 1.150 1(b) of the Regulations.

“Remarketing Agent Fee” means the continuing fee of the Remarketing Agent for its remarketing services, as set forth in the Remarketing Agreement.

“Remarketing Date” means each date on which the Remarketing Agent is required to notify the Trustee, the Tender Agent, the Borrower and the Credit Facility Provider of the Bonds for which it has found purchasers, as set forth in the Indenture.

“Rental Achievement Escrow Agreement” means the Rental Achievement Escrow Agreement dated as of November 1, 2008 between the Borrower and the Credit Facility Provider.

“Replacement Proceeds” has the meaning set forth in Section 1.148-1(c) of the Regulations.

“Requisition” means, with respect to the Cost of Issuance Fund, the requisition in the form of the Exhibit attached to the Indenture required to be submitted in connection with disbursements from the Cost of Issuance Fund.

“Reset Adjustment Date” means any date on which the interest rate on the Bonds is adjusted to a Reset Rate or to a different Reset Rate. During a Variable Period, a Reset Adjustment Date may occur only on any Interest Payment Date.

“Reset Period” means each period during which the Bonds bear interest at a Reset Rate.

“Reset Rate” means the rate of interest borne by the Bonds as determined in accordance with the Indenture.

“Responsible Officer” means any officer of the Trustee employed within or otherwise having regular responsibility in connection with the corporate trust department of the Trustee and the trusts created under the Indenture.

“Revenue Fund” means the Revenue Fund established by the Trustee pursuant to the Indenture.

“Revenues” means(a) all payments made with respect to the Bond Mortgage Loan pursuant to the Financing Agreement, the Bond Mortgage Note or the Bond Mortgage, including all casualty or other insurance benefits and condemnation awards paid in connection therewith (subject in all events to the

interests of the Credit Facility Provider therein under the terms of the Credit Facility and the Reimbursement Agreement), (b) payments made by the Credit Facility Provider pursuant to the Credit Facility and (c) all money and securities held by the Trustee in the funds and accounts established pursuant to the Indenture (excluding money or securities in the Cost of Issuance Fund, the Bond Purchase Fund, the Principal Reserve Fund and the Rebate Fund), together with all investment earnings thereon. Principal Reserve Schedule Payments shall not constitute Revenues under the Indenture.

“*Sale Proceeds*” is defined in Section 1.148-1 of the Regulations and generally consists of any amounts actually or constructively received from the sale (or other disposition) of any Bond, including amounts used to pay underwriters’ discount or compensation and accrued interest other than pre issuance accrued interest. Sale Proceeds also include amounts derived from the sale of a right that is associated with any Bond and that is described in Section 1.148-4(b)(4) of the Regulations.

“*S&P*” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

“*Securities Depositories*” means (a) The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax: (516) 227-4039 or 4190; or (b) any replacement registered securities depository which has been designated in a certificate of the Issuer delivered to the Trustee and the Credit Facility Provider pursuant to the Indenture.

“*Settlement Date*” means any date on which any Bond is purchased or deemed purchased pursuant to the Indenture.

“*State*” means the State of Texas.

“*Substitution Date*” means any Business Day established for the mandatory tender and purchase of the Bonds in connection with the delivery to the Trustee of an Alternate Credit Facility pursuant to the Indenture.

“*Tax Certificate*” means, collectively, the No-Arbitrage Certificate of the Issuer and the Borrower’s Tax Certificate, each dated the Delivery Date, executed and delivered by the Issuer and the Borrower, respectively.

“*Temporary Period Issue*” means any issue of bonds that meets either the six-month exception or the 18-month exception set forth in Section 1.148-7 of the Regulations.

“*Tender Agent*” means the Tender Agent appointed in accordance with the Indenture.

“*Tender Notice*” means a notice of demand for purchase of Bonds given by any Bondholder pursuant to the Indenture.

“*Transferred Proceeds*” means, with respect to any portion of the Bonds that is a refunding issue, proceeds that have ceased to be proceeds of a refunded issue and are transferred proceeds of the refunding issue by reason of Section 1.148-9 of the Regulations.

“*Trust Estate*” has the meaning set forth in the granting clauses of the Indenture.

“*Unassigned Rights*” means (a) all of the Issuer’s right, title and interest in and to all reimbursement, costs, expenses and indemnification, (b) all rights of the Issuer to receive the Issuer’s Fee and any rebate amount, (c) all rights of the Issuer to receive notices, reports and other statements and to

make any determination and to grant any approval or consent to anything in the Indenture, the Financing Agreement, the Regulatory Agreement and the Bond Mortgage Loan Documents requiring the determination, consent or approval of the Issuer, (d) all rights of the Issuer of access to the Development and documents related thereto and to specifically enforce the representations, warranties, covenants and agreements of the Borrower set forth in the Borrower's Tax Certificate and in the Regulatory Agreement, (e) any and all rights, remedies and limitations of liability of the Issuer set forth in the Indenture, the Financing Agreement, the Regulatory Agreement and the Bond Mortgage Loan Documents, as applicable, regarding (1) the negotiability, registration and transfer of the Bonds, (2) the loss or destruction of the Bonds, (3) the limited liability of the Issuer as provided in the Act, the Indenture, the Financing Agreement, the Regulatory Agreement and the Bond Mortgage Loan Documents, (4) the maintenance of insurance by the Borrower, (5) no liability of the Issuer to third parties, and (6) no warranties of suitability or merchantability by the Issuer, (f) all rights of the Issuer in connection with any amendment to or modification of the Indenture, the Financing Agreement, the Regulatory Agreement and the Bond Mortgage Loan Documents (but, as to the Bond Mortgage Loan Documents, only to the extent of the Issuer's *Unassigned Rights*, as described therein), (g) any and all limitations of the Issuer's liability and the Issuer's disclaimers of warranties set forth in the Indenture, the Regulatory Agreement or the Financing Agreement, and the Issuer's right to inspect and audit the books, records and permits of the Borrower and the Development, and (h) any and all rights under the Financing Agreement and the Regulatory Agreement required for the Issuer to enforce or to comply with Section 2306.186 of the Texas Government Code.

"Variable Interest Accrual Period" means, during any Variable Period, a period beginning on the date following any Variable Interest Computation Date and ending on the next succeeding Variable Interest Computation Date, except that the first Variable Interest Accrual Period for any Variable Period shall begin on the first day of such Variable Period and end on the next succeeding Variable Interest Computation Date.

"Variable Interest Computation Date" means, with respect to any Variable Interest Accrual Period, each Wednesday during such period, or if any such Wednesday is not a Business Day, the next succeeding Business Day.

"Variable Period" means each period during which the Bonds bear interest at a Variable Rate.

"Variable Rate" means the variable rate of interest borne by the Bonds as determined in accordance with the Indenture.

"Variable Rate Adjustment Date" means any date upon which the Bonds begin to bear interest at a Variable Rate for the succeeding Variable Period.

"Wrongful Dishonor" has the meaning set forth in the Intercreditor Agreement.

"Yield" of (1) any Investment has the meaning set forth in Section 1.148-5 of the Regulations, and (2) the Bonds has the meaning set forth in Section 1.148-4 of the Regulations.

APPENDIX B

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Texas Department of Housing and
Community Affairs
Austin, Texas

U.S. Bank National Association,
as Trustee
Dallas, Texas

Stern Brothers & Co.
St. Louis, Missouri

Federal Home Loan Mortgage Corporation
McLean, Virginia

Alta Cullen Limited Partnership
Charlotte, North Carolina

Ladies and Gentlemen:

We have represented the Texas Department of Housing and Community Affairs (the "Issuer") in connection with the issuance by the Issuer of its \$14,000,000 Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Alta Cullen Apartments) Series 2008 (the "Bonds") pursuant to a resolution adopted by the Governing Board of the Issuer on November 13, 2008 (the "Bond Resolution") and a Trust Indenture dated as of November 1, 2008 (the "Indenture"), by and between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds bear interest at the rate and mature on the date as provided in the Indenture. The Bonds are subject to mandatory and optional redemption prior to maturity as set forth in the Indenture. Capitalized terms used herein and not otherwise defined are used with the meanings assigned to such terms in the Indenture, in the Financing Agreement dated as of November 1, 2008 (the "Financing Agreement") among the Issuer, the Trustee and Alta Cullen Limited Partnership, a Texas limited partnership (the "Borrower"), or in the Amended and Restated Regulatory and Land Use Restriction Agreement dated as of November 1, 2008 (the "Regulatory Agreement"), among the Issuer, the Trustee and the Borrower.

The Bonds are being issued for the purpose of obtaining funds to make a mortgage loan (the "Bond Mortgage Loan") to the Borrower to refinance the cost of acquisition, construction and equipping of a multifamily residential rental development located within Harris County, Texas (the "Development"), to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Issuer, and persons with special needs, all as required by the Act, and to be occupied at least partially (at least 40 percent) by Low-Income Tenants.

We have assumed with your permission and without independent verification (i) the genuineness of certificates, records and other documents (collectively, "documents") submitted to us and the accuracy and completeness of the statements contained therein; (ii) the due authorization, execution and delivery of the Indenture by the parties thereto, and the validity and binding effect of the Indenture on such parties; (iii) that all documents submitted to us as originals are accurate and complete; (iv) that all documents submitted to us as copies are true and correct copies of the originals thereof; and (v) that all information submitted to us and on which we have relied was accurate and complete.

The scope of our representation extends solely to an examination of the facts and law incident to rendering an opinion with respect to the legality and validity of the Bonds and the security therefor and with respect to the exclusion from gross income for federal income tax purposes of interest on the Bonds.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and we express no opinion relating thereto (excepting only the matters set forth as our supplemental opinion of Bond Counsel of even date herewith). We have not assumed any responsibility with respect to the financial condition or capability of the Issuer, the Borrower, the Servicer or the Credit Facility Provider or the disclosure thereof. We have participated in the preparation of and have examined a transcript of certain materials pertaining to the Bonds, including certain certified proceedings of the Issuer, the State of Texas, the Trustee and the Borrower, and customary certificates, opinions, affidavits and other documents executed by officers, agents and representatives of the Issuer, the State of Texas, the Trustee, the Borrower and others. We have also examined the fully-executed Bond numbered R-1.

Based on said examination, and subject to the assumptions, qualifications and limitations set forth herein, it is our opinion that, under existing law:

1. The Issuer has duly authorized the issuance, execution and delivery of the Bonds. The Bonds constitute legal, valid and binding special limited obligations of the Issuer and are entitled to the benefit and security of the Indenture.
2. Interest on the Bonds is excludable from gross income for federal income tax purposes except with respect to the interest on any Bond for any period during which such Bond is held by a "substantial user" of the Development or a "related person," as those terms are defined for purposes of Section 147(a) of the Code.
3. Interest on the Bonds is an item of tax preference includable in alternative minimum taxable income for purposes of determining the alternative minimum tax on individuals and corporations.

In providing the opinions set forth in paragraphs 2 and 3 above, we have relied on, and assumed the accuracy and completeness of, representations made as of the date hereof by, among others, the Issuer, the Borrower and Stern Brothers & Co., as underwriter, with respect to matters solely within the respective knowledge of such parties, which matters we have not independently verified. Furthermore, in providing the opinions set forth in paragraphs 2 and 3 above, we have also assumed that there will be continuing compliance with the procedures, safeguards and covenants in the Indenture, the Financing Agreement, the Regulatory Agreement and the Tax Certificate pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. In the event that such representations are determined to be inaccurate or incomplete or the Issuer or the Borrower fails to comply with the foregoing procedures, safeguards and covenants, interest on the Bonds could become taxable from the date of original delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Certain actions may be taken or omitted subject to the terms and conditions set forth in the Indenture and related documents, upon the advice or with an approving opinion of Bond Counsel. We hereby express no opinion with respect to our ability to render an opinion that such actions, if taken or omitted, will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds.

We express no opinion as to the priority or perfection of the security interest granted by the Issuer in the Trust Estate.

The enforceability of certain provisions of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors. Furthermore, availability of equitable remedies under the Bonds may be limited by general principles of equity that permit the exercise of judicial discretion.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits" tax on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

The opinions set forth above speak only as of their date and only in connection with the Bonds and may not be applied to any other transaction. Such opinions are specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer and the Borrower have covenanted in the Indenture and the Financing Agreement not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Very truly yours,

APPENDIX C
FORM OF CREDIT ENHANCEMENT AGREEMENT

[See attached]

Freddie Mac Loan No.: 504169211

CREDIT ENHANCEMENT AGREEMENT

between

FEDERAL HOME LOAN MORTGAGE CORPORATION

and

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

**Relating to a
Bond Mortgage Loan
Securing**

\$14,000,000

**Texas Department of Housing and Community Affairs
Variable Rate Demand Multifamily Housing Revenue Refunding Bonds
(Alta Cullen Apartments)
Series 2008**

Dated as of November 1, 2008

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EXHIBIT C	BOND WIRE INSTRUCTION CHANGE REQUEST FORM

CREDIT ENHANCEMENT AGREEMENT

THIS CREDIT ENHANCEMENT AGREEMENT (this "Agreement") made and entered into as of November 1, 2008 by and between the **FEDERAL HOME LOAN MORTGAGE CORPORATION** ("Freddie Mac"), a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States, and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association (the "Trustee"), duly organized and existing under the laws of the United States, in its capacity as Trustee under a Trust Indenture dated as of November 1, 2008 (the "Indenture"), between the Texas Department of Housing and Community Affairs (the "Issuer") and the Trustee,

WITNESSETH:

WHEREAS, pursuant to the Indenture, the Issuer has issued its Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Alta Cullen Apartments) Series 2008 (the "Bonds") in the original principal amount of \$14,000,000; and

WHEREAS, pursuant to a Financing Agreement dated as of November 1, 2008 (the "Financing Agreement") among the Issuer, the Trustee and Alta Cullen Limited Partnership, a Texas limited partnership (the "Borrower"), the Issuer used the proceeds of the sale of Bonds to make a mortgage loan (the "Bond Mortgage Loan") to the Borrower to refinance the Project described therein; and

WHEREAS, the Borrower has used the proceeds of the Bond Mortgage Loan to provide for the acquisition, construction and equipping of the Project; and

WHEREAS, the Borrower's repayment obligations in respect of the Bond Mortgage Loan are evidenced by a Bond Mortgage Note dated November 1, 2008 (together with all riders and addenda thereto, the "Bond Mortgage Note") from the Borrower to the Issuer, as such has been assigned by the Issuer to the Trustee; and

WHEREAS, to secure the Borrower's obligations under the Bond Mortgage Note, the Borrower has executed and delivered for the benefit of the Issuer a First Multifamily Deed of Trust, Assignment of Rents and Security Agreement and Fixture Filing dated as of November 1, 2008 (the "Bond Mortgage") with respect to the Project, which Bond Mortgage has been assigned by the Issuer to the Trustee pursuant to the Indenture; and

WHEREAS, in order to provide credit enhancement for the payment by the Borrower of amounts due under the Bond Mortgage Loan and provide liquidity support for the Bonds, the Borrower has requested that Freddie Mac enter into this Agreement with the Trustee, which permits the Trustee to make (i) draws in an amount equal to Guaranteed Payments with respect to the Bond Mortgage Loan and (ii) liquidity draws to the extent remarketing proceeds are insufficient to pay the Purchase Price of the Bonds (other than Purchased Bonds) while the Bonds bear interest at a Variable Rate; and

WHEREAS, to evidence the Borrower's reimbursement obligations to Freddie Mac for draws made hereunder, the Borrower and Freddie Mac are entering into a Reimbursement and Security Agreement contemporaneously with the execution and delivery hereof (the "Reimbursement Agreement"); and

WHEREAS, to secure the Borrower's reimbursement obligations to Freddie Mac under the Reimbursement Agreement, the Borrower is executing and delivering for the benefit of Freddie Mac a Second Multifamily Deed of Trust, Assignment of Rents and Security Agreement and Fixture Filing

contemporaneously with the execution and delivery hereof (the "Reimbursement Mortgage") with respect to the Project; and

WHEREAS, the rights of the Issuer, the Trustee, and Freddie Mac to enforce remedies under the Bond Mortgage and the Reimbursement Mortgage, respectively, are governed by an Intercreditor Agreement dated as of November 1, 2008 among the Issuer, the Trustee and Freddie Mac; and

WHEREAS, Wells Fargo Bank, N.A. (the "Servicer") will act as initial servicer for the Bond Mortgage Loan;

NOW, THEREFORE, in consideration of the fees to be paid to Freddie Mac, the material covenants and undertakings set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Freddie Mac and the Trustee do hereby agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1 Definitions. All capitalized terms not otherwise specifically defined in this Agreement shall have the same meanings, respectively, as the defined terms contained in the Indenture or the Reimbursement Agreement, as applicable. Unless otherwise expressly provided in this Agreement or unless the context clearly requires otherwise, the following terms shall have the respective meanings set forth below for all purposes of this Agreement.

"*Agreement*" means this Credit Enhancement Agreement, as the same may be amended, supplemented or restated from time to time.

"*Available Amount*" means, at any time, an amount equal to the aggregate principal amount of Bonds Outstanding on the date hereof, \$14,000,000 plus an amount equal to the accrued interest on the Bonds Outstanding for up to 35 days at the Maximum Interest Rate during the Variable Period, and up to 189 days at the Reset Rate or the Fixed Rate during any Reset Period or Fixed Rate Period, as the case may be, computed, during the period when the Bonds bear interest at the Variable Rate, on the basis of the actual days elapsed and a 365- or 366-day year, and computed, during the period when the Bonds bear interest at a Reset Rate or Fixed Rate, on the basis of a 360-day year of twelve (12) thirty (30) day months, in each instance as reduced by that amount, if any, previously provided by Freddie Mac to the Trustee for payment of the Guaranteed Payment or to enable the Trustee to purchase Purchased Bonds, such reduction to be in an amount equal to (i) in the case of payment of a Guaranteed Payment, 100% of the amount of such payment and (ii) in the case of the purchase of Purchased Bonds, 100% of the principal amount of such Purchased Bonds plus the accrued interest, if any, paid with respect to such Purchased Bonds. Following any provision of funds under this Agreement, the amount provided (and the amount by which the Available Amount is reduced) shall be reinstated only as provided in Sections 3.1(a)(iv) and 3.1(b)(iv).

"*Bonds*" means the Issuer's Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Alta Cullen Apartments) Series 2008 issued in the original principal amount of \$14,000,000.

"*Bond Mortgage*" means the First Multifamily Deed of Trust, Assignment of Rents and Security Agreement and Fixture Filing dated as of November 1, 2008 together with all riders and addenda thereto, from the Borrower granting a first priority mortgage and security interest in the Project to the Issuer to

secure the repayment of the Bond Mortgage Loan, which Bond Mortgage has been assigned by the Issuer to the Trustee pursuant to the Indenture.

“*Bond Mortgage Loan*” means the loan in the original amount of \$14,000,000 by the Issuer to the Borrower pursuant to the Financing Agreement, as evidenced by the Bond Mortgage Note and secured by the Bond Mortgage.

“*Bond Mortgage Note*” means the bond mortgage note from the Borrower to the Issuer dated as of November 1, 2008 in the original principal amount of \$14,000,000, including all riders and addenda thereto, evidencing the Borrower’s obligation to repay the Bond Mortgage Loan, as the same may be amended, modified or supplemented from time to time, which promissory note has been assigned by the Issuer to the Trustee pursuant to the Indenture.

“*Bond Mortgage Payment Date*” means (i) each Interest Payment Date (as defined in the Indenture) while the Bond Mortgage Loan is outstanding, commencing December 1, 2008 and (ii) any other date on which principal of the Bond Mortgage Note is paid.

“*Borrower*” means Alta Cullen Limited Partnership, a Texas limited partnership, and any permitted successor to or assignee of its rights and obligations under the Bond Financing Documents.

“*Business Day*” means any day other than (i) a Saturday, (ii) a Sunday, (iii) a day on which the Federal Reserve Bank of New York (or other agent acting as Freddie Mac’s fiscal agent) is authorized or obligated by law or executive order to remain closed, (iv) a day on which the permanent home office of Freddie Mac is closed or (v) a day on which (a) banking institutions in the City of New York or in the city in which the Principal Office of the Trustee, the Tender Agent or the Remarketing Agent or the permanent home office of Freddie Mac is located are authorized or obligated by law or executive order to be closed or (b) the New York Stock Exchange is closed.

“*Closing Date*” means the date Freddie Mac executes and delivers this Agreement.

“*Custodian*” means U.S. Bank National Association, not in its individual capacity but solely in its capacity as collateral agent for Freddie Mac, and any successor thereto in such capacity.

“*Draw Request*” means a demand for payment delivered by the Trustee to Freddie Mac pursuant to Section 3.1(a)(i) or Section 3.1(b)(i) of this Agreement.

“*Event of Default*” means the occurrence of an event of default as described in Section 6.1.

“*Freddie Mac*” means the Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States of America, and its successors and assigns.

“*Freddie Mac Credit Enhancement Payment*” means the amount required to be paid by Freddie Mac to the Trustee with respect to any Guaranteed Payment pursuant to Section 3.1(a)(i) or with respect to any payment of Purchase Price for tendered Bonds pursuant to Section 3.1(b)(i).

“*Freddie Mac Reimbursement Amount*” shall have the meaning set forth in the Reimbursement Agreement.

“*Freddie Mac Trustee E-mail Account*” means the Freddie Mac established e-mail account for receipt of notices, inquires and other communications from bond trustees. The e-mail address for the

Freddie Mac Trustee E-mail Account is MFLA_Trustees@freddiemac.com or such other e-mail address as Freddie Mac may designate from time to time.

“Freddie Mac Trustee Hotline” means the Freddie Mac established telephone hotline for bond trustees. The hotline number is (703) 714-4177 or such other phone number as Freddie Mac may designate from time to time.

“Guaranteed Payment” is defined within the definition of Required Bond Mortgage Payment herein.

“Guide” means the Freddie Mac Multifamily Seller/Service Guide, as amended, modified or supplemented from time to time.

“Indenture” means that certain Trust Indenture dated as of November 1, 2008 between the Issuer and the Trustee pursuant to which the Bonds are issued and secured, as the same may be amended, supplemented or restated from time to time.

“Interest Component” shall have the meaning provided in the definition of Required Bond Mortgage Payment and Guaranteed Payment, as applicable.

“Issuer” means the Texas Department of Housing and Community Affairs, and its successors.

“Liquidity Commitment” means the obligation of Freddie Mac to provide funds to the Trustee, as provided in Section 3.1(b) of this Agreement, to enable the Trustee to purchase, on behalf of the Borrower, tendered Bonds which have not been remarketed by the Remarketing Agent pursuant to the Remarketing Agreement and the Indenture and, therefore, with respect to which there are no proceeds of remarketing.

“Liquidity Commitment Termination Date” means the Business Day immediately following the earliest of (a) the maturity date of the Bonds, (b) the date on which the interest rate on the Bonds is converted to a Fixed Rate to the maturity date of the Bonds, (c) the effective date of an Alternate Credit Facility which replaces this Agreement or (d) the last day of the term of this Agreement.

“Liquidity Use Fee” shall have the meaning set forth in the Reimbursement Agreement.

“Maximum Interest Rate” means twelve percent (12.00%) per annum.

“Notice” means any notice delivered by the Trustee to Freddie Mac pursuant to Section 3.1(a)(i), in the form set forth in Exhibit A-1 hereto, or Section 3.1(b)(i), in the form set forth in Exhibit A-2 hereto.

“Pledge Agreement” means the Pledge, Security and Custody Agreement dated as of November 1, 2008 between the Borrower and the Custodian, as the same may be amended, supplemented or restated from time to time.

“Principal Component” shall have the meaning provided in the definition of Required Bond Mortgage Payment and Guaranteed Payment, as applicable.

“Purchased Bond” means any Bond during the period from and including the date of its purchase by the Trustee on behalf of the Borrower with amounts provided by Freddie Mac under this Agreement,

to, but excluding, the date on which such Bond is remarketed to any person other than Freddie Mac, the Borrower, any general partner, member or guarantor of the Borrower or the Issuer.

“Purchase Price,” with respect to any Bond required to be purchased pursuant to Sections 2.02, 2.13, 10.01 or 10.02 of the Indenture, means the principal amount of such Bond plus interest accrued and unpaid thereon to the Settlement Date and with respect to any Bond to be purchased pursuant to Section 3.06 of the Indenture means the principal amount of each Bond plus any redemption premium due thereon plus interest accrued and unpaid to the Settlement Date. No portion of the Purchase Price consisting of any redemption premium shall be payable from funds drawn under this Agreement.

“Reimbursement Agreement” means the Reimbursement and Security Agreement dated as of November 1, 2008 between the Borrower and Freddie Mac, as the same may be amended, supplemented or restated from time to time.

“Required Bond Mortgage Payment” and “Guaranteed Payment” mean the sum of the applicable Interest Component and the applicable Principal Component, as follows:

	Interest Component	Principal Component
Required Bond Mortgage Payment	<p>(i) The regularly scheduled payment of interest due on the unpaid principal balance of the Bond Mortgage Loan, adjusted solely (a) on the first day of each Variable Interest Accrual Period, (b) on any Reset Adjustment Date or on the Fixed Rate Adjustment Date, and (c) otherwise as provided in Section 3.4,</p> <p>(ii) upon optional or mandatory prepayment of the Bond Mortgage Loan, all accrued and unpaid interest on the amount prepaid, and</p> <p>(iii) on the maturity date or upon acceleration of the Bond Mortgage Note, all accrued and unpaid interest thereon.</p>	<p>(i) The regularly scheduled payment of principal, on the Bond Mortgage Note, if any,</p> <p>(ii) upon optional or mandatory prepayment of the Bond Mortgage Loan, the principal amount of the Bond Mortgage Note being prepaid, and</p> <p>(iii) on the maturity date or upon acceleration of the Bond Mortgage Note, the unpaid principal balance of the Bond Mortgage Note.</p>
Guaranteed Payment	The Interest Component of the corresponding Required Bond Mortgage Payment, less interest accrued on Purchased Bonds.	(i) The regularly scheduled payment of principal, on the Bond Mortgage Note, if any (ii) upon optional or mandatory prepayment of the Bond Mortgage Loan, the principal amount of the Bond Mortgage Note being prepaid and (iii) on the maturity date or upon acceleration of the Bond Mortgage Note, the unpaid principal balance of the Bond Mortgage Note.

For the purpose of this Agreement only, regularly scheduled monthly deposits to the Principal Reserve Fund, as set forth in the Principal Reserve Schedule attached as an exhibit to the Reimbursement Agreement, or other escrows required by the Bond Mortgage or the Reimbursement Mortgage are not included in the Required Bond Mortgage Payment or Guaranteed Payment.

“*Servicer*” means the eligible servicing institution designated by Freddie Mac from time to time (which may be Freddie Mac if Freddie Mac elects to service the Bond Mortgage Loan), or its successor, as servicer of the Bond Mortgage Loan. Initially, the Servicer shall be Wells Fargo Bank, N.A..

“*State*” means the State of Texas.

“*Termination Date*” means the first to occur of (a) the date the Bonds shall have been paid in full, (b) the date the Bonds shall have been purchased in accordance with the provisions of Section 3.2 of this Agreement, (c) November 6, 2026, (d) the date on which the Trustee, after having received sufficient funds to redeem all of the Bonds Outstanding in accordance with the terms of the Indenture, shall have released the lien of the Indenture and shall have paid to Freddie Mac all amounts required to be paid under the Indenture, the Financing Agreement, the Reimbursement Agreement, this Agreement and any other Bond Financing Document, and (e) the day immediately following the effective date of any Alternate Credit Facility.

“*Trustee*” means U.S. Bank National Association, and its successors and any other corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at any time serving as successor trustee under the Indenture.

“*Wire Request System*” means the Freddie Mac web-based application known as “MultiSuite for Bonds—Wire Request System,” which is designed to facilitate the payment of Draw Requests. The Wire Request System is to be used by the Trustee to conduct electronic transactions with Freddie Mac and is accessible only via Freddie Mac’s website at the following URL: <http://www.freddiemac.com/multifamily/multisuite.htm>. For instructions on how to register and use the Wire Request System, please call the Freddie Mac Trustee Hotline.

Section 1.2 Interpretation. In this Agreement, unless the context otherwise requires, words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include partnerships, limited liability companies, corporations and associations, including public bodies, as well as natural persons. The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder,” and any similar terms, as used in this Agreement, refer to this Agreement. Any reference in this Agreement to an “Exhibit”, a “Section”, a “Subsection”, a “Paragraph” or a “subparagraph” shall, unless otherwise explicitly provided, be construed as referring, respectively, to an Exhibit attached to this Agreement, a section of this Agreement, a subsection of the section of this Agreement in which the reference appears, a paragraph of the subsection within this Agreement in which the reference appears, or a subparagraph of the paragraph within which the reference appears. All Exhibits attached to or referred to in this Agreement are incorporated by reference into this Agreement.

ARTICLE II

REPRESENTATIONS

Section 2.1 *Representations by Freddie Mac.* Freddie Mac represents and warrants that:

(a) It is a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States of America.

(b) This Agreement is a valid and binding obligation of Freddie Mac, the making and performance of which by Freddie Mac have been duly authorized by all necessary corporate and other action and neither the consummation of the transactions contemplated hereby nor the fulfillment of or compliance with the terms and conditions of this Agreement by Freddie Mac conflicts with, results in a breach of, or is a default under, in any material respect, any of the terms, conditions or provisions of any legal restriction or any instrument to which Freddie Mac is now a party or by which Freddie Mac is bound, or constitutes a violation of any law regulating the affairs of Freddie Mac or internal governing documents of Freddie Mac, and will not result in the creation of any prohibited encumbrance upon any of its assets.

Section 2.2 *Representations by Trustee.* The Trustee represents, warrants and covenants that:

(a) It is a national banking association, duly organized and existing under the laws of the United States, has the power (including trust powers) and authority to accept and execute trusts, has duly accepted its appointment as Trustee under the Indenture, and all corporate action required to authorize acceptance of such appointment as Trustee under the Indenture, the execution, delivery and performance of the Indenture and this Agreement, and consummation of the transactions contemplated thereby and hereby, have been duly taken.

(b) It acknowledges that Freddie Mac has certain rights with respect to the Bond Mortgage Loan and the Bond Mortgage pursuant to the Intercreditor Agreement.

(c) It has furnished wire instructions, which are correctly set forth in Section 5.5, to Freddie Mac for Freddie Mac to make payments under this Agreement by wire transfer and will advise Freddie Mac, in writing, of any change to such instructions utilizing the form attached hereto as Exhibit C not less than five (5) Business Days prior to the effective date thereof.

ARTICLE III

CREDIT ENHANCEMENT AND LIQUIDITY

Section 3.1 *Credit Enhancement Payments and Liquidity Payments.*

(a) (i) On each Bond Mortgage Payment Date, a portion of the Available Amount in an amount not to exceed the aggregate principal amount of the Bonds Outstanding on the date hereof, \$14,000,000 is available for the payment of the Principal Component of the Guaranteed Payment and a portion of the Available Amount in an amount not to exceed the accrued interest on the Bonds Outstanding for up to 35 days at the Maximum Interest Rate during the Variable Period and up to 189 days at the Reset Rate or the Fixed Rate during any Reset Period or Fixed Rate Period, as the case may be (calculated as provided in the definition of Available Amount), is available for the payment of the Interest Component of the Guaranteed Payment, subject to reduction and reinstatement as provided in Section 3.1(a)(iv). Funds shall be made available to the Trustee for such payment against delivery by the Trustee of a demand for payment (each a "Draw Request"). Until Freddie Mac provides the Trustee with written or electronic notice to the contrary, the Trustee shall deliver Draw Requests to Freddie Mac using the Wire Request System. If, for any reason, the Trustee is unable to deliver a Draw Request electronically for processing a payment using the Wire Request System, the Trustee shall notify Freddie Mac immediately via the Freddie Mac Trustee Hotline and Freddie Mac Trustee E-mail Account and deliver that Draw Request by facsimile or electronic transmission, immediately confirmed by overnight delivery service, of a Notice, in the form set forth in Exhibit A-1 hereto, to Freddie Mac at (571) 382-4798, if by facsimile transmission, or the Freddie Mac Trustee E-mail Account, if by electronic transmission (or to such other facsimile number or e-mail address or using such other means of electronic or telephonic communication as Freddie Mac shall designate in writing); provided that Freddie Mac may waive in writing the requirement of confirmation by overnight delivery service. If a Draw Request is made in strict conformity with the terms and conditions hereof, payment shall be made to the Trustee in immediately available funds (A) if such Draw Request is received by Freddie Mac by 12:00 noon (Washington, D.C. time) on any Business Day, not later than 2:00 p.m. (Washington, D.C. time) on the next Business Day, and (B) if such Draw Request is so received after 12:00 noon (Washington, D.C. time) on any Business Day, not later than 2:00 p.m. (Washington, D.C. time) on the second succeeding Business Day.

(ii) Notwithstanding any other provision of this Agreement, Freddie Mac shall have no obligation under any circumstance to make a Freddie Mac Credit Enhancement Payment or any other payment under this Agreement with respect to any prepayment premium or other prepayment charge payable on the Bond Mortgage Loan or due under the Bond Mortgage Note (or which may in any way relate to the Bonds, including any redemption premium on the Bonds), any reserve funds that are funded from Bond proceeds, any negative arbitrage or investment losses with respect to reserve amounts held by the Trustee under the Indenture or with respect to the Hedge Fee Escrow (as such term is defined in the Reimbursement Agreement), and Freddie Mac's obligation with respect to the

payment of interest under this Section is limited to the Interest Component of the related Guaranteed Payment. In no event shall Freddie Mac be obligated to make a payment under Section 3.1(a) in excess of the Guaranteed Payment. The provisions of this Paragraph (a)(ii) shall in no way affect the obligation of Freddie Mac to make payment of principal to the extent elsewhere provided in this Section.

(iii) To the extent there are Purchased Bonds, Freddie Mac shall have no obligation under any circumstance to make a Freddie Mac Credit Enhancement Payment with respect to that portion of the Required Bond Mortgage Payments allocable to amounts owed on Purchased Bonds.

(iv) Upon a payment under this Agreement, the Available Amount and the amount thereof available (A) for the payment of the Principal Component of the Guaranteed Payment, shall be automatically reduced by an amount equal to the amount of such payment for such purpose and (B) for the payment of the Interest Component of the Guaranteed Payment, shall be automatically reduced by an amount equal to the amount of such payment for such purpose. The obligation of Freddie Mac to pay the Principal Component of the Guaranteed Payment shall not be reinstated. The obligation of Freddie Mac to pay the Interest Component of the Guaranteed Payment shall be reinstated, up to the maximum amount set forth in Section 3.1(a)(i) for such purpose, automatically on the day following the provision of funds by Freddie Mac for payment of such Interest Component.

(b) (i) If on any Settlement Date, the Remarketing Agent is unable to remarket any or all of the Bonds tendered for purchase on such Settlement Date, Freddie Mac shall be obligated to pay to the Trustee in immediately available funds, not later than 2:00 p.m., Washington, D.C. time, on the Settlement Date, the Purchase Price of such tendered Bonds. The obligation of Freddie Mac to make such payment is subject to the condition precedent that Freddie Mac (A) shall have timely received from the Trustee or the Tender Agent, as the case may be, and the Remarketing Agent, all notices required to be delivered to Freddie Mac pursuant to Section 10.03 of the Indenture, and (B) shall have received not later than 11:00 a.m., Washington D.C. time, on the Settlement Date, (1) a Draw Request, and (2) an e-mail from the Trustee to the Freddie Mac Trustee E-mail Account notifying Freddie Mac that the Draw Request on such date is made pursuant to the Liquidity Commitment. Such Draw Request shall be made using the Wire Request System until Freddie Mac provides the Trustee with written or electronic notice to the contrary. If, for any reason, the Trustee is unable to deliver such Draw Request electronically using the Wire Request System, the Trustee shall immediately notify Freddie Mac via both the Freddie Mac Trustee Hotline and the Freddie Mac Trustee E-mail Account, and shall deliver such Draw Request, instead, in the form of Exhibit A-2 by facsimile or electronic transmission, immediately confirmed by overnight delivery service, to Freddie Mac at (571) 382-4798, if by facsimile transmission, or the Freddie Mac Trustee E-mail Account, if by electronic transmission (or to such other facsimile number or e-mail address or using such other means of electronic or telephonic communication as Freddie Mac shall designate in writing). In no event shall the amount

payable pursuant to this Section 3.1(b) exceed the Available Amount, nor shall any amounts payable hereunder be used to purchase Purchased Bonds.

(ii) Any amount provided by Freddie Mac on a Settlement Date which is not used for such purpose or set aside for any undelivered Bonds shall be repaid immediately by the Trustee to Freddie Mac in immediately available funds.

(iii) The Trustee shall receive and hold all funds provided by Freddie Mac under this Agreement on account of the Purchase Price of Bonds in trust for the benefit of Freddie Mac and shall not disburse such funds to the Tender Agent until the tendered Bonds have been received by the Tender Agent. The Trustee shall, on the Settlement Date, on behalf of the Borrower, cause Purchased Bonds to be registered in the name of the Custodian, until remarketed or redeemed, subject to the security interest provided for in Section 3.1(b)(v) of this Agreement and the Pledge Agreement.

(iv) The obligation of Freddie Mac to pay the Purchase Price of tendered Bonds shall be reinstated (a) automatically, when and to the extent that (1) Freddie Mac has received reimbursement in immediately available funds for the amount provided pursuant to this Agreement to pay all or a portion of the Purchase Price of tendered Bonds or has received written confirmation from the Tender Agent that the Tender Agent has received immediately available funds which it will immediately remit to Freddie Mac as reimbursement for the amount provided to pay all or a portion of the Purchase Price of tendered Bonds, and (2) the Tender Agent has delivered to Freddie Mac, by facsimile at (571) 382-4798 or electronic transmission via the Freddie Mac Trustee E-mail Account or to such other facsimile number, e-mail address, office or Freddie Mac employee as Freddie Mac shall designate by written notice to the Tender Agent (with confirmation of the facsimile or electronic transmission by (A) telephone call to the Freddie Mac Trustee Hotline or to such other number, office or Freddie Mac employee as Freddie Mac shall designate by written notice to the Tender Agent and (B) concurrently mailed original by first class mail, postage fully prepaid, to Multifamily Loan Accounting or to such other office or Freddie Mac employee as Freddie Mac shall designate by written notice to the Tender Agent), a certificate in the form attached to this Agreement as Exhibit B, appropriately completed and executed by an officer of the Tender Agent or (b) at such time as and to the extent that Freddie Mac, in its discretion, advises the Trustee in writing that such reinstatement shall occur, it being understood that Freddie Mac shall have no obligation to grant any such reinstatement except as provided in clause (a).

(v) Pursuant to the Pledge Agreement, Freddie Mac shall have a security interest (but no beneficial ownership interest) in Purchased Bonds and in the proceeds of Purchased Bonds including any proceeds upon a remarketing of Purchased Bonds.

(vi) If, following an optional or mandatory tender of Bonds in accordance with Section 10.01 or Section 10.02 of the Indenture, the tendered Bonds have not been remarketed, but have been purchased by the Trustee on behalf of the Borrower with funds provided by Freddie Mac to the Trustee under Section 3.1(b) of this Agreement and such Purchased Bonds have not been remarketed as of the ninetieth (90th) day following the date of such purchase, Freddie Mac shall have the right, at any time following such ninetieth (90th) day and provided that (a) the Bonds have not then been remarketed and (b) Freddie Mac has not then been reimbursed in full for the amounts advanced under this Agreement or, without regard to such reimbursement, Freddie Mac has not then been paid in full all fees and other amounts due to Freddie Mac, all in accordance with the Reimbursement Agreement, to (1) declare an Event of Default under (and as defined in) the Reimbursement Agreement or (2) terminate this Agreement and direct the Trustee to redeem the Bonds in accordance with Section 3.01(b)(ii) of the Indenture. In any of such events Freddie Mac shall pay the redemption price of all Bonds (other than Purchased Bonds) Outstanding.

(c) Payments required to be made pursuant to this Agreement shall be made from any source legally available to Freddie Mac, other than funds of the Borrower or the Issuer.

(d) Amounts held in the Revenue Fund, the Redemption Fund and the Bond Fund established under the Indenture (representing Freddie Mac Credit Enhancement Payments, investment earnings thereon and other amounts permitted under the Indenture to be deposited in said Funds) shall be invested and reinvested by the Trustee, with the prior written consent of Freddie Mac, in accordance with the provisions of Section 4.08 of the Indenture. In the absence of Freddie Mac's prior written consent, the Trustee shall invest such amounts in Qualified Investments of the type described in clause (a), (b) or (g) of the definition of such term contained in the Indenture, which Qualified Investments in all events shall mature or be redeemable at par on the earlier of (a) six months from the date of investment (or such shorter period as may be required by the Indenture) or (b) the date such moneys are needed for the purposes for which they are held. Notwithstanding the foregoing or anything else contained in this Agreement or in the Indenture, Freddie Mac shall have no obligation to the Issuer, the Trustee or any holder of any Bond with respect to the failure to receive any payment under any investment made by the Trustee or any investment loss with respect to any such investment (irrespective of whether or not Freddie Mac shall have consented to such investment).

(e) This Agreement shall become effective upon its execution and delivery by Freddie Mac and the Trustee and shall cease to be in effect on the Termination Date. On the Liquidity Commitment Termination Date following the payment of any amounts due hereunder, (a) all obligations of Freddie Mac under Section 3.1(b) shall terminate and (b) all provisions of this Agreement relating to Freddie Mac's Liquidity Commitment shall cease to be applicable.

The Trustee hereby expressly acknowledges and agrees that Freddie Mac shall have no liability to the Trustee or to the Bondholders for any failure to make full and timely payment of principal or interest

on the Bonds resulting from a deficiency of moneys therefor under the Indenture if the Trustee shall not have delivered, in the manner and at the time required by this Agreement, a Notice under Section 3.1 hereof or any other notice required in this Agreement as a condition precedent to payment thereunder by Freddie Mac.

Section 3.2 Right of Freddie Mac to Cause Redemption, Mandatory Tender or Acceleration of Bonds.

(a) Subject to the provisions of the Indenture, Freddie Mac shall have the right to direct the Trustee to provide notice of redemption, purchase in lieu of redemption or mandatory tender of the Bonds to the extent and upon the terms described in the Indenture, provided that Freddie Mac agrees to honor a Notice given in accordance with this Agreement to pay to the Trustee the full redemption price or Purchase Price of the Bonds upon the redemption, purchase in lieu of redemption or mandatory tender thereof.

(b) If Freddie Mac pays the Purchase Price of tendered Bonds in accordance with Section 3.06 or 10.02 of the Indenture, subsequent to its date of purchase Freddie Mac or an entity designated by Freddie Mac in accordance with Section 3.06 of the Indenture, as the case may be, may on any day elect:

(i) to present all or a portion of such Bonds to the Trustee for cancellation pursuant to Section 3.07 of the Indenture;

(ii) to direct the Trustee to redeem all or a portion of such Bonds pursuant to Section 3.01(a)(ii) of the Indenture from the sources identified in that Section, in which case all or such portion of such Bonds shall be redeemed pursuant to Section 3.01(a)(ii) of the Indenture; or

(iii) upon 15 days' prior notice to the Trustee and the Issuer, to deliver to the Trustee a written undertaking by Freddie Mac confirming its continuing obligations under this Agreement upon a remarketing of such Bonds pursuant to Section 10.10(d) of the Indenture.

(c) Freddie Mac shall have the right to cause an acceleration of the Bonds pursuant to Section 6.02 of the Indenture provided the conditions set forth therein have been satisfied. In such event, Freddie Mac shall pay to the Trustee the entire principal amount of the Bonds, minus the principal amount of any Purchased Bonds, together with accrued and unpaid interest thereon to the date of acceleration of the Bonds and may direct the cancellation of any such Purchased Bonds.

(d) Upon the payment by Freddie Mac of the redemption price or Purchase Price of the Bonds as provided in Sections 3.2(a), (b) or (c) all payment obligations of Freddie Mac under Section 3.1 with respect to such Bonds to the extent of such payment shall thereupon terminate, other than payment obligations becoming due and owing prior to the date of such payment.

Section 3.3 Nature of the Trustee's Rights. The right of the Trustee to receive payments from Freddie Mac pursuant to Sections 3.1 and 3.2 shall not be diminished by any

rights of set-off, recoupment or counterclaim Freddie Mac might otherwise have against the Issuer, the Trustee, the Borrower or any other person. Notwithstanding the foregoing, this Section 3.3 shall not be construed: to release the Trustee or the Issuer from any of their respective obligations hereunder or under the Indenture; except as provided in this Section, to prevent or restrict Freddie Mac from asserting any rights which it may have against the Issuer, the Trustee or the Borrower under this Agreement, the Indenture, the Intercreditor Agreement, the Bond Mortgage Loan or any provisions of law; or to prevent or restrict Freddie Mac, at its own cost and expense, from prosecuting or defending any action or proceeding by or against the Issuer, the Trustee or the Borrower or taking any other actions to protect or secure its rights; provided, however that any recovery against the Issuer is limited to amounts held under the Indenture.

Section 3.4 *Adjustments to Required Bond Mortgage Payments and Guaranteed Payments.* In connection with any partial principal prepayments of amounts owing under the Bond Mortgage Note, the Interest Component of the Required Bond Mortgage Payment shall be adjusted only upon the redemption of Bonds in the amount of such principal prepayment.

ARTICLE IV

FREDDIE MAC REIMBURSEMENTS

Section 4.1 *Reimbursements.*

(a) For each Freddie Mac Credit Enhancement Payment made by Freddie Mac, Freddie Mac shall be entitled to receive reimbursement under the Reimbursement Agreement in the amount of the Freddie Mac Reimbursement Amount. If the Trustee shall have received a Freddie Mac Credit Enhancement Payment from Freddie Mac with respect to any particular Guaranteed Payment and the Trustee shall have received or shall thereafter receive from the Borrower all or any portion of such Guaranteed Payment or any other amount in lieu of such Guaranteed Payment, the Trustee shall promptly reimburse to Freddie Mac, from any such amounts received from the Borrower, the Freddie Mac Credit Enhancement Payment paid by Freddie Mac as provided in the Indenture.

(b) The Trustee shall maintain records of all Freddie Mac Credit Enhancement Payments received from Freddie Mac hereunder. The Trustee shall, upon receipt of a written request of Freddie Mac, cooperate with Freddie Mac and the Servicer in connection with the reconciliation of the Trustee's records maintained pursuant to this Subsection and any similar records maintained by Freddie Mac or the Servicer.

ARTICLE V

COVENANTS

Section 5.1 *Periodic Reports.* Freddie Mac registered its common stock with the U.S. Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, effective July 18, 2008. As a result, Freddie Mac files annual, quarterly and current reports,

proxy statements and other information with the SEC. Any document that Freddie Mac files with the SEC may be read and copied at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. These SEC filings are also available to the public from the SEC's web site at <http://www.sec.gov>.

Section 5.2 Notice of Certain Events. The Trustee shall promptly give notice by facsimile or electronic transmission to Freddie Mac at (571) 382-4798, if by facsimile transmission, or the Freddie Mac Trustee E-mail Account, if by electronic transmission, of (i) the occurrence of any Event of Default under the Indenture or any event which, with the passage of time or service of notice, or both, would constitute an Event of Default thereunder of which the Trustee has actual knowledge, specifying the action taken or proposed to be taken with respect to such event, (ii) all notices required under Article X of the Indenture to be provided to Freddie Mac in connection with the remarketing of Bonds and (iii) each proposed redemption of Bonds and the amount thereof, in writing, not later than 20 days (or as soon as practicable after receiving notice or other information that such a redemption is expected to occur, if such proposed redemption is to be effected with less than 20 days' prior notice in accordance with the Indenture) prior to such redemption, other than scheduled mandatory sinking fund redemptions.

Section 5.3 Amendment of Documents. So long as no Event of Default hereunder shall have occurred and be continuing, the Trustee will not amend or modify, or consent to any amendment or modification of any Bond Financing Document without the prior written consent of Freddie Mac.

Section 5.4 Replacement of Servicer. The Trustee acknowledges that, under certain circumstances set forth in the Guide, Freddie Mac shall have the right to terminate the Servicer's servicing of the Bond Mortgage Loan and to transfer the servicing of the Bond Mortgage Loan to a successor servicer in accordance with the Guide. Freddie Mac will promptly notify the Trustee upon termination of the Servicer and the appointment of a successor servicer.

Section 5.5 Wiring Information. All payments under this Agreement may be made by means of wire transfer of funds to the Trustee to the following account or such other account as the Trustee may specify in writing from time to time:

Name of Bank	U.S. Bank National Association
Location of Bank (City and State)	Dallas, TX
ABA Routing Number:	091000022
Account Number:	180121167365
FBO Account Number:	129165002
Reference:	TDHCA Alta Cullen 08 Rev FD Cred Fac Attn: Brad Hounsel

ARTICLE VI

DEFAULT AND REMEDIES

Section 6.1 *Events of Default.* Any one or more of the following acts or occurrences shall constitute an Event of Default hereunder:

(a) Failure by Freddie Mac to pay any amounts due under Section 3.1 or 3.2 when due; or

(b) Failure by Freddie Mac to perform or observe any of its covenants, agreements or obligations hereunder, except a failure described in (a) above, if the same shall remain uncured for a period of 45 days after written notice of such failure shall have been given by the Trustee to Freddie Mac; provided, however, that if such default is curable but requires acts to be done or conditions to be remedied which, by their nature, cannot be done or remedied within such 45-day period, no Event of Default shall be deemed to have occurred if Freddie Mac shall commence such acts or remedies within such 45-day period and thereafter, in the opinion of the Trustee, diligently pursue the same to completion; or

(c) any governmental authority shall require Freddie Mac to suspend its operations for more than three (3) Business Days (unless such requirement is applicable to corporate instrumentalities or financial institutions generally in the United States), or require the sale or transfer of all or substantially all of the assets of Freddie Mac.

Section 6.2 *Remedies of Trustee.* Upon the occurrence and continuance of any Event of Default by Freddie Mac hereunder, unless such Event of Default has been cured, the Trustee may take any one or more of the following steps, at its option:

(a) by action at law or in equity, require Freddie Mac to perform its covenants and obligations hereunder, or enjoin any acts which may be unlawful or in violation of the rights of the Trustee; and

(b) take whatever other action at law or in equity may appear necessary or desirable to enforce any monetary obligation of Freddie Mac hereunder, or to enforce any other obligations, covenant or agreement of Freddie Mac hereunder.

The above provisions are subject to the condition that if, after any Event of Default hereunder, all amounts which would then be payable hereunder by Freddie Mac if such Event of Default had not occurred and were not continuing, shall have been paid by or on behalf of Freddie Mac, and Freddie Mac shall have also performed all other obligations in respect of which it is then in default hereunder to the satisfaction of the Trustee, then such Event of Default may be waived and annulled, but no such waiver or annulment shall extend to or affect any subsequent Event of Default or impair any consequent right or remedy.

Section 6.3 *Remedies Not Exclusive.* No remedy conferred in this Agreement or reserved to the Trustee is intended to be exclusive of any other available remedy or remedies, but

each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 6.4 *Restoration of Rights and Remedies.* If the Trustee shall have instituted any proceeding to enforce any right or remedy under this Agreement and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the party instituting such proceeding, then and in every such case Freddie Mac, and the Trustee shall, subject to any determination in such proceeding, be restored to their former positions hereunder and thereafter all rights and remedies of the Trustee shall continue as though no such proceeding had been instituted.

ARTICLE VII

MISCELLANEOUS PROVISIONS

Section 7.1 *Interest of Bondholders.* The payments to be made by Freddie Mac hereunder are to be pledged by the Trustee to secure payment of the Purchase Price, principal or redemption price of and interest on the Bonds; provided that in no event shall Freddie Mac be obligated to pay the Purchase Price, principal or redemption price of and interest on Purchased Bonds.

Section 7.2 *Amendment.* This Agreement shall be amended only by an instrument in writing executed on behalf of the parties by their duly authorized representatives.

Section 7.3 *No Individual Liability.* No covenant or agreement contained in this Agreement shall be deemed to be the covenant or agreement of any member of the Board of Directors of Freddie Mac or any officer, agent, employee or representative of Freddie Mac, or the Trustee, in his or her individual capacity and none of such persons shall be subject to any personal liability or accountability by reason of the execution of this Agreement, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty, or otherwise.

Section 7.4 *Notices.* All notices, certificates and other written communications shall be sufficiently given and shall be deemed to be given (unless another form of notice shall be specifically set forth in this Agreement) on the Business Day following the date on which the same shall have been delivered to a national overnight delivery service (receipt of which to be evidenced by a signed receipt for overnight delivery service) with arrangements made for payment of all charges for next business day delivery, addressed as follows (provided that any of such addresses may be changed at any time upon written notice of such change sent, as provided in this Section, to the other party):

To Freddie Mac: Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
Mail Stop B4F
McLean, VA 22102
Attention: Director of Multifamily Loan Servicing
Facsimile: (703) 714-3003
Telephone: (703) 903-2000

with a copy to: Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive
McLean, VA 22102
Attention: Associate General Counsel—
Multifamily Legal Department
Facsimile: (703) 903-2885
Telephone: (703) 903-2000

with a copy to: Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
Mail Stop B4Q
McLean, VA 22102
Attention: Director of Multifamily
Loan Accounting
Facsimile: (571) 382-4798
Telephone: (703) 714-4177

To the Trustee: U.S. Bank National Association
Attn: Brad Hounsel
14241 Dallas Parkway, Suite 490
Dallas, TX 75254
Tel: 972-458-4506
Fax: 972-789-9605

Notwithstanding anything herein to the contrary, copies of account statements shall be sent to the attention of Freddie Mac's Director of Multifamily Loan Accounting at the above address.

Section 7.5 Governing Law. This Agreement shall be construed, and the rights and obligations of Freddie Mac and the Trustee hereunder determined in accordance with federal statutory or common law ("federal law"). Insofar as there may be no applicable rule or precedent under federal law and insofar as to do so would not frustrate the purposes of any provision of this agreement, the local law of the Commonwealth of Virginia shall be deemed reflective of federal law. The parties agree that any legal actions between Freddie Mac and the Trustee regarding each party hereunder shall be originated in the United States District Court in and for the Eastern District of Virginia, and the parties hereby consent to the jurisdiction and venue of said Court in connection with any action or proceeding initiated concerning this Agreement.

Section 7.6 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity of any other provision, and all other provisions shall remain in full force and effect.

Section 7.7 *Multiple Counterparts.* This Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument and each of which shall be, and shall be deemed to be, an original.

Section 7.8 *Successor Trustee.* This Agreement and all of the rights and obligations of the Trustee in this Agreement shall be automatically transferred and assigned to a successor Trustee appointed or acting pursuant to the Indenture.

Section 7.9 *Assignment.* Except as provided in Section 7.8 hereof, this Agreement and the rights of the Trustee created hereby may not be assigned or transferred by the Trustee.

Section 7.10 *Acceptance.* The Trustee accepts the duties imposed upon it by this Agreement and agrees to perform those duties but only upon and subject to the following express terms and conditions:

(a) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Agreement and no implied covenants or obligations shall be read into this Agreement against the Trustee;

(b) as to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceedings, the Trustee shall be entitled to rely in good faith upon a certificate purportedly signed by an authorized signatory of Freddie Mac as sufficient evidence of the facts contained in such certificate;

(c) the permissive right of the Trustee to do things enumerated in this Agreement shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct;

(d) none of the provisions contained in this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under this Agreement except for any liability of the Trustee arising from its own negligence or willful misconduct;

(e) the Trustee is entering into this Agreement solely in its capacity as Trustee under the Indenture and not in its individual or corporate capacity; and

(f) all of the provisions of the Indenture related to the duties, obligations, standard of care, protections and immunities from liability afforded the Trustee under the Indenture shall apply to the Trustee under this Agreement.

[Signatures follow]

IN WITNESS WHEREOF, the parties hereto have caused this Credit Enhancement Agreement to be duly executed by their duly authorized officers or representatives.

**FEDERAL HOME LOAN MORTGAGE
CORPORATION**

By: _____
Name: Lynn Extein
Title: Director

[Freddie Mac Signature Page to *Alta Cullen Apartments* Credit Enhancement Agreement]

**U.S. BANK NATIONAL ASSOCIATION, as
Trustee**

By: _____
Name: _____
Title: Authorized Officer

EXHIBIT A-1

FORM OF NOTICE UNDER SECTION 3.1(a)(I)

Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
McLean, VA 22102
Attention: Multifamily Loan Accounting
Facsimile: (571) 382- 4798

Project Name: Alta Cullen Apartments
Houston, Texas

Related Bonds: \$14,000,000 Texas Department of Housing and Community Affairs Variable
Rate Demand Multifamily Housing Revenue Refunding Bonds (Alta Cullen
Apartments) Series 2008

CUSIP Number: 88275A CF5

Loan No.: 504169211

Date of Notice: _____

CERTIFICATE FOR THE PAYMENT OF GUARANTEED PAYMENT

**under Section 3.1(a)(i) of Credit Enhancement Agreement between
Freddie Mac and the undersigned, as Trustee, dated as of November
1, 2008 relating to the Bond Mortgage Loan securing the Bonds
referenced above**

Bond Mortgage Payment Date: _____,
Guaranteed Payment: \$ _____

NOTICE is hereby given that on the Bond Mortgage Payment Date set forth above, a Freddie Mac Credit Enhancement Payment in the amount equal to the Guaranteed Payment, of which amount \$ _____ represents the Interest Component and \$ _____ represents the Principal Component, is due. The amount of the Guaranteed Payment has been determined pursuant to the above-referenced Credit Enhancement Agreement.

REQUEST is hereby made for payment by Freddie Mac of such Freddie Mac Credit Enhancement Payment in accordance with the Credit Enhancement Agreement.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

Authorized Signature: _____
Name: _____
Title: _____

EXHIBIT A-2

FORM OF DEFICIENCY NOTICE UNDER SECTION 3.1(b)(I)

Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
McLean, VA 22102
Attention: Multifamily Loan Accounting
Facsimile: (571) 382-4798

Project Name: Alta Cullen Apartments
Houston, Texas

Related Bonds: \$14,000,000 Texas Department of Housing and Community Affairs Variable
Rate Demand Multifamily Housing Revenue Refunding Bonds (Alta Cullen
Apartments) Series 2008

CUSIP Number: 88275A CF5

Loan No.: 504169211

Date of Notice: _____

DEFICIENCY NOTICE

**under Section 3.1(b)(i) of Credit Enhancement Agreement between
Freddie Mac and the undersigned, as trustee, dated as of November
1, 2008 relating to the Bond Mortgage Loan securing the Bonds
referenced above**

Settlement Date: _____, _____

Tendered Bonds for Purchase:

\$ _____

Remarketing Proceeds Held by Tender Agent:

(_____)

**Amount of "REQUIRED PURCHASE PRICE
PAYMENT DEFICIENCY":**

\$ _____

CREDIT ENHANCEMENT PAYMENT DATE: _____, _____

NOTICE is hereby given that, on the Settlement Date set forth above, there exists a Required Purchase Price Payment Deficiency in the amount set forth above. As a result of said Required Purchase Price Payment Deficiency, a Freddie Mac Credit Enhancement Payment in an amount equal to the Required Purchase Price Payment Deficiency is due on the Credit Enhancement Payment Date set forth above. The amount of the Required Purchase Price Payment Deficiency and the Credit Enhancement Payment Date have been determined pursuant to the above-referenced Credit Enhancement Agreement.

REQUEST is hereby made for payment by Freddie Mac of such Freddie Mac Credit Enhancement Payment at or prior to 2:00 p.m., Washington, D.C. time, on the Credit Enhancement Payment Date.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

Authorized Signature: _____
Name: _____
Title: _____

EXHIBIT B

CERTIFICATE FOR REINSTATEMENT OF AVAILABLE AMOUNT

To: Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
Mail Stop B4Q
McLean, VA 22102
Attention: Multifamily Loan Accounting

\$14,000,000

**Texas Department of Housing and Community Affairs
Variable Rate Demand Multifamily Housing Revenue Refunding Bonds
(Alta Cullen Apartments)
Series 2008**

The undersigned, a duly authorized officer of U.S. Bank National Association, as Tender Agent (the "Tender Agent") under the Trust Indenture (the "Indenture") dated as of November 1, 2008, between the Texas Department of Housing and Community Affairs and U.S. Bank National Association, as Trustee, pursuant to which the above-referenced Bonds have been issued, certifies as follows (the capitalized terms used in this Certificate and not defined in this Certificate shall have the meanings given to those terms in the Indenture or the Credit Enhancement Agreement (the "Credit Enhancement Agreement"), dated as of November 1, 2008, between Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Trustee, as applicable):

1. The Tender Agent is the Tender Agent under the Indenture for the holders of the Bonds.
2. On the date of this Certificate \$_____ aggregate principal amount of Bonds are being sold to purchasers upon a remarketing of such Bonds by the Remarketing Agent. All of such Bonds were previously purchased with moneys provided by Freddie Mac under the Credit Enhancement Agreement in the total amount of \$_____, of which \$_____ was provided in respect of principal of the Purchased Bonds and \$_____ was provided in respect of accrued interest on the Purchased Bonds. [Prior to the date of this Certificate there has been no reinstatement of the Available Amount with respect to amounts provided by Freddie Mac.]
3. The Tender Agent has received for immediate payment to [the Trustee for the account of] Freddie Mac in respect of the Bonds described in paragraph 2 of this Certificate the total amount of \$_____, consisting of \$_____ from the Remarketing Agent and \$_____ from the Borrower. Such total amount is being paid to Freddie Mac at the above address with reference to the Credit Enhancement Agreement, as reimbursement for amounts provided by Freddie Mac under the Credit Enhancement Agreement.
4. Of the total amount referred to in paragraph 3 of this Certificate, \$_____ represents the aggregate principal amount of Bonds described in paragraph 2 of this Certificate and \$_____ represents accrued interest on such Bonds.
5. Payment of the total amount referred to in paragraph 3 of this Certificate, together with other amounts previously paid to Freddie Mac by or on behalf of the Borrower,

represents reimbursement for the entire outstanding balance of all amounts provided in respect of the Bonds described in paragraph 2 of this Certificate. The foregoing certification is made in reliance upon representations by the Borrower and/or Freddie Mac to the Tender Agent that, upon payment of such amounts, Freddie Mac will be fully reimbursed for the amount provided under the Credit Enhancement Agreement.

6. Pursuant to Section 3.1(b)(iv) of the Credit Enhancement Agreement, the Available Amount shall be automatically reinstated by an amount equal to \$_____ (which does not exceed the aggregate amount provided by Freddie Mac under the Credit Enhancement Agreement to purchase such Bonds), of which \$_____ (which does not exceed the aggregate amount provided by Freddie Mac under the Credit Enhancement Agreement as principal) is principal and \$_____ (which does not exceed the aggregate amount provided by Freddie Mac under the Credit Enhancement Agreement as interest) is interest.

7. If this Certificate is initially presented by telex or telecopier, the original of this Certificate on the Tender Agent's letterhead manually signed by one of its officers is being mailed to you concurrently by first class United States mail.

IN WITNESS WHEREOF, the Tender Agent has executed and delivered this Certificate this
_____ day of _____.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Name: _____
Title: Authorized Officer

***Bank Name:** _____

***Bank City:** _____

***Bank State:** _____

***ABA Number:** _____

***Account Number:** _____

Further Credit Instructions:

Name of Final Credit Party: _____

Final Credit Party Account Number: _____

Effective Date of Notice: _____, *which date is at least five (5) Business Days after the date of this notice.*

As of the Effective Date set forth above, all wires of funds to the Trustee for the above-referenced Freddie Mac loan number(s) pursuant to the Wire Request System shall be transmitted using the new wire instructions set forth in this notice.

[EXHIBIT C CONTINUED ON FOLLOWING PAGE]

Trustee Authorized Signature:

The undersigned hereby represents and warrants to Freddie Mac that he/she is a duly appointed officer of the Trustee who is duly authorized to disseminate the Trustee's wire instructions, and to approve or sign wire requests in Freddie Mac's Wire Request System, all of which is evidenced by either (i) resolutions (in full force and effect on the date of the execution of this form) of the board of directors of the Trustee, a true, complete and correct copy of which is attached hereto, or (ii) an Incumbency Certificate (in full force and effect on the date of the execution of this form) in the form attached hereto as Schedule 1, which has been signed and sealed by the Secretary or Assistant Secretary of the Trustee, a true, complete and correct copy of which is attached hereto.

Trustee Name

Signatory's Printed Name

() _____
Signatory's Phone Number

Signature

Date

Signatory's Title

* This form is to be delivered to: Freddie Mac Multifamily, Loan Accounting Manager, 8100 Jones Branch Drive, Mail Stop B4Q, McLean, VA 22102 via overnight mail service.

SCHEDULE 1

to

Bond Wire Instruction Change Request Form

INCUMBENCY CERTIFICATE

The undersigned hereby certifies to the Federal Home Loan Mortgage Corporation ("Freddie Mac") that I am the [Secretary / Assistant Secretary] of U.S. Bank National Association (the "Trustee"), a national banking association, duly organized and existing under the laws of United States of America, and that, as such, I am duly authorized to execute this Incumbency Certificate on behalf of the Trustee; and I further certify that the following person, as of the date hereof, holds the office of the Trustee set opposite his or her name below, and that such person is duly authorized to disseminate the Trustee's wire instructions, and to approve or sign wire requests in Freddie Mac's Wire Request System:

Name: _____

Title: _____

WITNESS the official seal of the Trustee and the signature of the undersigned this ____ day of _____, 20__.

[Corporate Seal]

Print Name: _____

Title: [Secretary / Assistant Secretary]