

*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) and is not subject to the alternative minimum tax imposed on individuals or corporations. See "TAX MATTERS" herein for a discussion of Bond Counsel's opinion.*

**\$13,900,000**  
**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**  
**VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS**  
**(COSTA IBIZA APARTMENTS)**  
**SERIES 2008**

**CUSIP: 88275A CD0**

**Dated: August 1, 2008**

**Price: 100%**

**Due: August 1, 2041**

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

The Bonds will be issued and secured pursuant to a Trust Indenture, dated as of August 1, 2008 (the "Indenture"), between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Simultaneously with the issuance of the Bonds, the Issuer will enter into a Financing Agreement, dated as of August 1, 2008 (the "Financing Agreement"), with the Trustee and Costa Ibiza, Ltd., a Texas limited partnership (the "Borrower"), pursuant to which the Issuer will make a mortgage loan (the "Bond Mortgage Loan") to the Borrower to finance the development of a multifamily rental housing development located in Houston, Texas as to be known as Costa Ibiza Apartments (the "Project").

## Freddie Mac

The Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States ("Freddie Mac") has agreed to provide credit enhancement for (a) payments of principal and interest under the Bond Mortgage Loan and (b) payments of the Purchase Price of the Bonds through the issuance of a direct-pay Credit Enhancement Agreement (the "Credit Enhancement Agreement" or "Credit Facility") between the Trustee and Freddie Mac. The Credit Enhancement Agreement will terminate upon the earlier of (a) the sixth day of the month in which the thirtieth anniversary of the Conversion Date (as defined herein occurs), (b) August 6, 2041 (unless earlier terminated or extended as provided therein), or (c) the 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 B.

The Bonds will be subject to mandatory purchase by the Trustee on any date on which an Alternate Credit Facility is to be exchanged for the Credit Facility then in effect or on any date upon which the interest rate on the Bonds is converted to a Reset Rate or the Fixed Rate. The Bonds will be subject to redemption prior to their stated maturity date at the price, on the terms and upon the occurrence of the events described herein.

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 THEREIN. 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.

NOTWITHSTANDING ANYTHING CONTAINED IN THE INDENTURE TO THE CONTRARY, ANY OBLIGATION WHICH THE ISSUER MAY INCUR UNDER THE INDENTURE OR UNDER ANY INSTRUMENT EXECUTED IN CONNECTION THEREWITH WHICH WILL ENTAIL THE EXPENDITURE OF MONEY WILL NOT BE A GENERAL OBLIGATION OF THE ISSUER BUT WILL BE A SPECIAL LIMITED OBLIGATION PAYABLE SOLELY FROM THE TRUST ESTATE. THE BONDS WILL 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 WILL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THE INDENTURE. THE BONDS, TOGETHER WITH INTEREST THEREON, WILL BE SPECIAL 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 WILL 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 WILL BE LIABLE THEREON, AND NOT IN ANY EVENT WILL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THERETO. THE ISSUER HAS NO TAXING POWER.

**This Official Statement describes the Bonds only during the initial Variable Period for the Bonds while the Bonds are secured by the Credit Enhancement Agreement described herein. Unless supplemented or restated, this Official Statement should not be relied upon after the date on which the interest rate on the Bonds is adjusted to a Reset Rate or to the Fixed Rate or the Bonds are secured by an alternate credit enhancement.**

*The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Vinson & Elkins L.L.P., Bond Counsel. Certain legal matters will be passed upon for Freddie Mac by its legal division and by Kutak Rock LLP, Omaha, Nebraska, for the Borrower by Broad and Cassel, Orlando, Florida, and for the Underwriter by Katten Muchin Rosenman, Washington, DC. It is expected that the Bonds will be available for delivery to The Depository Trust Company in New York, New York, on or about August 7, 2008.*

**Citi**

**SternBrothers&Co.**  
INVESTMENT BANKING SINCE 1917

No broker, dealer, salesman or other person has been authorized by the Issuer, the Borrower, or Citigroup Global Markets Inc. or Stern Brothers & Co. (collectively, the “Underwriter”) to give any information or to make any representations with respect to the Bonds other than those 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 will 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.

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 that 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 Issuer (except with respect to the description under the captions “THE ISSUER” and “ABSENCE OF LITIGATION-The Issuer”), the Borrower (except with respect to information under the headings “PLAN OF FINANCING,” “THE PROJECT AND THE PRIVATE PARTICIPANTS” and “ABSENCE OF LITIGATION - The Borrower”), the Underwriter or Freddie Mac (except with respect to the description under the caption “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 captions “THE ISSUER” and “ABSENCE OF 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 caption “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 Project, or compliance with any securities, tax or other laws or regulations. Freddie Mac’s role is limited to entering into the Credit Enhancement Agreement described herein.

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 a 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 and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the information or opinions set forth herein since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES ISSUER OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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## OFFICIAL STATEMENT

**\$13,900,000**

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS  
(COSTA IBIZA 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 hereto, 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 hereto, must be considered in its entirety. Certain capitalized terms used in this Official Statement are defined herein and in the appendices hereto. All capitalized terms used in this Official Statement that are not otherwise defined herein will 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).

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide information in connection with the issuance and sale by the Texas Department of Housing and Community Affairs (the "Issuer") of the above-captioned bonds (the "Bonds"). The Bonds are being issued in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), and pursuant to a Trust Indenture, dated as of August 1, 2008 (the "Indenture"), between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Issuer, Costa Ibiza, Ltd., a Texas limited partnership (the "Borrower") and the Trustee will enter into a financing agreement, dated as of August 1, 2008, pursuant to which the Issuer will make a mortgage loan (the "Bond Mortgage Loan") to the Borrower to finance the development of a multifamily rental housing development for seniors located in Houston, Texas, to be known as Costa Ibiza Apartments (the "Project"). See "THE PROJECT AND THE PRIVATE PARTICIPANTS." The Issuer will assign all of its right, title and interest in and to the Financing Agreement (except the Unassigned Rights) to the Trustee for the benefit of the registered owners of the Bonds.

The Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States ("Freddie Mac"), has agreed to provide credit enhancement for (a) payments of principal and interest under the Bond Mortgage Loan and (b) payments of the Purchase Price of the Bonds through the issuance of a direct-pay Credit Enhancement Agreement, dated as of August 1, 2008 (the "Credit Enhancement Agreement" or "Credit Facility") between the Trustee and Freddie Mac. The Credit Enhancement Agreement will terminate on the earlier of (a) the sixth day of the month in which the thirtieth anniversary of the Conversion Date (as defined herein occurs), (b) August 6, 2041 or (c) the redemption (or purchase in lieu thereof) of all of the Bonds, payment of sums secured under the Reimbursement Mortgage (as defined below), release of the Credit Enhancement Agreement or upon substitution of an Alternate Credit Facility under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and Appendix B hereto.

The Bond Mortgage Loan will be evidenced by a mortgage note (the "Bond Mortgage Note") executed by the Borrower in favor of the Issuer. The Bond Mortgage Loan will be secured by a first lien priority Multifamily Deed of Trust, Assignment of Rents and Security Agreement and Fixture Filing, dated as of August 1, 2008, encumbering the Project (the "Bond Mortgage"). The Issuer will assign its rights (excluding the Unassigned Rights) under the Bond Mortgage and the Bond Mortgage Note to the

Trustee. The Bond Mortgage Note is a nonrecourse obligation of the Borrower subject to certain limited exceptions. Payments of principal and of interest under the Bond Mortgage Loan will be made by the Trustee from draws under the Credit Enhancement Agreement. The principal amount and payment provisions of the Bond Mortgage Note have been established and structured so that (a) the aggregate principal amount of the Bond Mortgage Note will equal the aggregate principal amount of Outstanding Bonds and (b) the interest payable on the Bond Mortgage Note will not be less than the interest payable on the Outstanding Bonds.

Pursuant to the Credit Enhancement Agreement, subject to certain requirements set forth therein, on each Interest Payment Date, on any date the Bonds are called for optional or mandatory redemption and on the maturity date of the Bond Mortgage Note, Freddie Mac will be 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 the Bonds. See “THE BONDS” and Appendices A and B. To evidence the repayment obligations of the Borrower to Freddie Mac as a result of payments made by Freddie Mac under the Credit Enhancement Agreement, the Borrower and Freddie Mac will enter into a Reimbursement and Security Agreement, dated as of August 1, 2008 (the “Reimbursement Agreement”). To secure the obligations of the Borrower pursuant to the Reimbursement Agreement, the Borrower will execute and deliver for the benefit of Freddie Mac a second lien priority Deed of Trust, Security Agreement, Assignment of Leases and Rents, and Fixture Filing, dated as of August 1, 2008 (the “Reimbursement Mortgage”). Bondholders will have no rights with respect to and are not third party beneficiaries of the Reimbursement Mortgage.

Bank of America, N.A. (the “Construction Phase Credit Facility Provider”) will provide an irrevocable letter of credit to Freddie Mac, dated as of the Delivery Date (the “Construction Phase Credit Facility”), to secure the reimbursement obligations of the Borrower to Freddie Mac during the Construction Phase. To evidence the Borrower’s reimbursement obligations to the Construction Phase Credit Facility Provider for draws made under the Construction Phase Credit Facility, the Borrower and the Construction Phase Credit Facility Provider will enter into a Construction Phase Credit Reimbursement Agreement, dated as of August 1, 2008 (the “Construction Phase Credit Reimbursement Agreement”). The Borrower’s obligation to the Construction Phase Credit Facility Provider under the Construction Phase Credit Reimbursement Agreement will be secured under a third lien priority [Construction Deed of Trust, Assignment, Security Agreement and Fixture Filing], dated as of August 1, 2008 (the “Construction Mortgage”) from the Borrower to the Construction Phase Credit Facility Provider. Bondholders will have no rights with respect to and are not third party beneficiaries of the Construction Phase Credit Facility.

It is a condition to the delivery of the Credit Enhancement Agreement by Freddie Mac and the delivery of the Construction Phase Credit Facility by the Construction Phase Credit Facility Provider that the Issuer, the Trustee, Freddie Mac and the Construction Phase Credit Facility Provider enter into an Intercreditor Agreement, dated as of August 1, 2008 (the “Intercreditor Agreement”), pursuant to which the rights of the Issuer, the Trustee, Freddie Mac and the Construction Phase Credit Facility Provider to enforce remedies under the Bond Mortgage, the Reimbursement Mortgage and the Construction Mortgage, respectively, are set forth among the parties thereto. None of the Issuer, the Trustee or the Bondholders will have the right to exercise certain remedies (without the prior consent or direction of Freddie Mac) under the Bond Mortgage during any period the Credit Enhancement Agreement remains in effect and Freddie Mac continues to honor its obligations thereunder. See “SUMMARY OF CERTAIN PROVISIONS OF THE INTERCREDITOR AGREEMENT.”

Freddie Mac’s participation as a credit enhancer will not extend beyond the Construction Phase (as defined in the Construction Phase Financing Agreement, dated as of August 1, 2008 (the “Construction Phase Financing Agreement”), by and between Freddie Mac and the Construction Phase

Credit Facility Provider), unless the Conditions to Conversion set forth in the Construction Phase Financing Agreement are satisfied on or prior to the date that is approximately 30 months following the Delivery Date, subject to one six-month extension, or such later date as may be approved by Freddie Mac in its sole discretion (the “Forward Commitment Maturity Date”). If the Conditions to Conversion are satisfied on or prior to the Forward Commitment Maturity Date (or, to the extent not satisfied, are waived by Freddie Mac), the Bond Mortgage Loan will convert from the Construction Phase to the Permanent Phase (as each such term is defined in the Construction Phase Financing Agreement) (such an event referred to as the “Conversion”). Upon Conversion, the Credit Enhancement Agreement will continue to secure payments of principal of and interest on the Bond Mortgage Loan and payments of the Purchase Price on the Bonds. If the Conditions to Conversion are not satisfied prior to the Forward Commitment Maturity Date (or, to the extent not satisfied, are not waived by Freddie Mac), the Bond Mortgage Loan will not convert from the Construction Phase to the Permanent Phase, and the Bonds will be subject to mandatory redemption in whole (or purchase in lieu thereof). See “THE BONDS—Mandatory Redemption.” No such redemption (or purchase) resulting from such event will be made at a premium. In the event of such a mandatory redemption in whole, the redemption price of the Bonds is to be paid with funds provided under the Credit Enhancement Agreement. Alternatively, in lieu of such redemption, the Bonds may be purchased by the Trustee for the account of the Construction Phase Credit Facility Provider from amounts advanced under the Credit Enhancement Agreement. See “THE BONDS—Mandatory Redemption.” For more information concerning the Construction Phase Financing Agreement, see “SUMMARY OF CERTAIN PROVISIONS OF THE CONSTRUCTION PHASE FINANCING AGREEMENT.”

The Conditions to Conversion include, but are not limited to, completion of the construction of the Project substantially in compliance with the approved scope of work and the achievement of certain specified levels of occupancy from the leasing of units in the Project. No assurance can be given that all of the Conditions to Conversion will be satisfied on or prior to the Forward Commitment Maturity Date. From and after Conversion, the Borrower is required to make its Bond Mortgage Loan payments to Citibank, N.A., as loan servicer (the “Servicer”). From amounts received from the Borrower, the Servicer is required to (a) reimburse Freddie Mac for amounts paid by Freddie Mac under the Credit Enhancement Agreement and to remit to Freddie Mac the Credit Enhancement Fee, (b) remit to the Trustee amounts for deposit to (i) the Principal Reserve Fund and (ii) the Administration Fund for certain fees payable to the Trustee, the Issuer, the Remarketing Agent, the Tender Agent and the Rebate Analyst and (c) retain the Servicer’s Servicing Fee.

In addition, even if Conversion occurs, no assurance can be given that the principal amount of the Bond Mortgage Loan after Conversion, as finally determined in accordance with the Construction Phase Financing Agreement, will not be less than the original principal amount of the Bond Mortgage Loan. If the principal amount of the Bond Mortgage Loan, as finally determined in accordance with the Construction Phase Financing Agreement is less than the original principal amount of the Bond Mortgage Loan, the principal amount of the Bond Mortgage Loan must, as a Condition to Conversion, be reduced by the Borrower’s prepayment of the Bond Mortgage Loan in part (a “Pre-Conversion Loan Equalization Payment”). Upon such prepayment, a corresponding portion of the Bonds will be subject to mandatory redemption (or purchase by the Borrower in lieu of such redemption). Any such mandatory redemption (or purchase in lieu thereof) of the Bonds will be at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the redemption date. No such redemption will be made at a premium. If such prepayment in part is required as a Condition to Conversion and is not made, Conversion will not occur and the Bonds will be subject to mandatory redemption or purchase in whole, as described above. See also “THE BONDS—Mandatory Redemption.”

The Project is required to be rented at certain affordable rents and occupied by families whose incomes satisfy certain provisions of the Act and the Internal Revenue Code of 1986, as amended (the

“Code”), and the applicable income tax regulations issued under the Code as set forth in a Regulatory and Land Use Restriction Agreement, dated as of the date of the Indenture (the “Regulatory Agreement”), among the Borrower, the Issuer and the Trustee. See “SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT.”

Stern Brothers & Co. has been appointed to serve as remarketing agent (the “Remarketing Agent”) for the Bonds under the terms of a Remarketing Agreement, dated as of August 1, 2008 (the “Remarketing Agreement”), by and between the Remarketing Agent and the Borrower. The Trustee, in its capacity as tender agent (the “Tender Agent”), will perform certain services in connection with the purchase of tendered Bonds.

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 THEREIN. 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.

Brief descriptions of the Issuer, the Bonds, the security for the Bonds, the Borrower, the Project, the Indenture, the Financing Agreement, the Regulatory Agreement, the Credit Enhancement Agreement, the Reimbursement Agreement, the Bond Mortgage Loan, the Intercreditor Agreement and the Construction Phase Financing Agreement are included in this Official Statement. All references herein to the Indenture, the Financing Agreement, the Regulatory Agreement, the Credit Enhancement Agreement, the Reimbursement Agreement, the Bond Mortgage Loan, the Intercreditor Agreement, the Construction Phase Financing 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, Wells Fargo Bank, National Association, 1021 Main Street, Suite 2403, MAC T5017-241, Houston, Texas 77002, Attention: Corporate Trust Services.

## **THE ISSUER**

### **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, 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 (the “Governor”) will 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, 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 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.

TOMAS 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.

All of the above Board members have been appointed by the Governor and confirmed by the State Senate, except for Dr. Juan Muñoz, Tomas 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 284 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 Issuer on May 17, 2006, with the statutorily required approval of the Governor. Before joining the Issuer, 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 a Masters of Business Administration 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 credits, preservation funds, the Housing Trust Fund and HOME funds. Prior to joining the Issuer, Ms. Boston had been in the housing industry 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 Issuer 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 Issuer'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 Issuer, 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 was 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, 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 Issuer 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. NONE OF THE UNITED STATES OF AMERICA, THE STATE, THE ISSUER, OR 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 February 29, 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 February 29, 2008, the aggregate outstanding principal amount of bonded indebtedness of the Issuer for single family purposes was \$1,486,962,523.

Multifamily Housing Revenue Bonds. The Issuer and the Agency, through February 29, 2008, have issued 131 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 February 29, 2008, 105 series were outstanding with an aggregate outstanding principal amount of \$1,210,711,056 of multifamily housing revenue bonds.

## **THE BONDS**

### **General**

The Bonds are issued in fully registered form and are registered in the name of Cede & Co., as registered owner 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 form. Purchasers will not receive certificates representing their interest in the Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders or registered owners of the Bonds mean Cede & Co. and not the beneficial owners of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable by the Trustee to Cede & Co., as nominee for DTC, in same day funds. DTC will, in turn, remit such amounts to any broker-dealer, bank or other financial institution for which DTC holds Bond from time to time as securities depository (“DTC Participants”) for subsequent disbursement to the beneficial owners. See “THE BONDS—Book-Entry Only System” herein.

The Bonds will be issued in the minimum denomination of \$100,000 and any integral multiple of \$5,000 in excess thereof. The Bonds will be dated August 1, 2008, and will bear interest from the Delivery Date. 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 Bonds will mature, subject to redemption prior to maturity, on August 1, 2041. Interest on the Bonds will be payable on each Interest Payment Date.

Interest will be payable to the Person in whose name any Bond is registered on the Record Date with respect to an Interest Payment Date (unless such Bond has been called for redemption on a redemption date which is prior to such Interest Payment Date); provided, however, that if and to the extent the Issuer will default in the payment of the interest due on any Interest Payment Date, such defaulted interest will 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”) will cease to be payable to the Person in whose name such Bond is registered on the relevant Record Date and will 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 will be fixed in the following manner. The Trustee will 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”), will fix a Special Record Date for the payment of such Defaulted Interest which will be not more than 15 nor less than 10 days prior to the Special Interest Payment Date and will 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 10 days prior to such Special Record Date; notice of the Special Interest Payment Date and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest will be paid to the Persons in whose names the Bonds (or their respective predecessor Bonds) are registered on such Special Record Date.

Payment of the principal of the Bonds and premium, if any, will be made upon presentation and surrender of the Bonds at the Principal Office of the Trustee. Interest on the Bonds will be paid by check mailed on the payment date 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 Business Days prior to such Record Date, all payments of principal, premium, if any, and interest on the Bonds less any reasonable wire transfer fees imposed by the Trustee will be paid by wire transfer in immediately available funds to an account within the United States designated by such registered owner. Payment of the Purchase Price of any Bonds tendered for purchase on a Settlement Date will be payable in lawful money of the United States of America only upon presentation thereof at the Principal Office of the Tender Agent.

### **Variable Rate**

The Bonds will bear interest from and including the Delivery Date to and including the immediately succeeding Variable Rate Interest Computation Date at a Variable Rate agreed to by the Remarketing Agent and the Issuer.

The Variable Rate determined by the Remarketing Agent on each Variable Interest Computation Date will 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 each series of Bonds were sold on such Variable Interest Computation Date; provided, however, that in no event will the Variable Rate at any time exceed the Maximum Rate. If for any reason the Remarketing Agent will 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 the Bonds will be the Index Rate in effect on the applicable Variable Interest Computation Date.

The determination of the Variable Rate by the Remarketing Agent will (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 will be protected in relying on it.

## **Book-Entry Only System**

The Bonds will be available in book entry form only in Authorized Denominations. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds 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 each series and maturity of the Bonds, in the aggregate principal amount of such series and maturity, and will be deposited with DTC.

DTC 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 securities that its 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. 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”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Issuer. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://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 Bonds, 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 Financing 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 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 payment 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 nor its nominee, the Trustee, the Borrower, the Remarketing Agent or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or 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.

The requirement for physical delivery of Bonds in connection with 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 account of the Tender Agent or the Remarketing Agent, as appropriate.

A Beneficial Owner will give notice to elect to have its Bonds purchased or tendered, through its Participant, to the tender agent or the remarketing agent, as applicable, and will 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 tender agent or the remarketing agent, as applicable. 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 DTC account of the tender agent or the remarketing agent, as applicable.

DTC may discontinue providing its service as securities 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 may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

### **Demand for and Mandatory Purchase of Bonds**

Any Bonds (other than Purchased Bonds), or any units of principal amount thereof in Authorized Denominations, are to be purchased from the proceeds of remarketing thereof as described in the Indenture or from the sources described under "Purchase of Bonds Not Remarketed" below, (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 which is an Optional Tender Date, 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 Substitution Date, as applicable, 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 thereon, if any, to the Settlement Date. 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 (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 is to be purchased pursuant to the Indenture, which date will 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 (an "Optional Tender Date"); 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. While a "book-entry only" system is in effect with respect to the Bonds, delivery of Bonds for purchase on the Settlement Date will be affected in the manner set forth by the depository.

Bonds not delivered to the Tender Agent on or prior to 9:30 a.m., Washington, D.C., time, on the Settlement Date will be deemed tendered and purchased for all purposes of the Indenture, and interest will cease to accrue on such Bonds on such Settlement Date.

Payment of the Purchase Price of any Bond will be made on the Settlement Date by check or 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 has received the items required by the Indenture, the Trustee will (a) not later than the 15th day before any such Reset Adjustment Date, Variable Rate Adjustment Date, Fixed Rate Adjustment Date or Substitution Date (or, if such day is not a Business Day, then on the next succeeding Business Day), notify the Tender Agent and (b) 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) will be subject to mandatory tender and if not so tendered, will be deemed to have been tendered for purchase



on each such Reset Adjustment Date, Variable Rate Adjustment Date, Fixed Rate Adjustment Date, Substitution Date, in each case as provided in the Indenture, at the Purchase Price.

If all of the Bonds 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.

No Bonds are to be purchased or remarketed pursuant to the Indenture if an Event of Default under the Indenture (other than certain Events of Default under the Indenture with respect to defaults by the Issuer) has occurred and is continuing and would not be cured as a result of such tender and remarketing of the Bonds following a declaration of acceleration of the Bonds; nor is any Bond to 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 any general partner, member or guarantor of the Borrower or any nominee of the Issuer, the Borrower or the Credit Facility Provider unless the Credit Facility will be in full force and effect with respect to such Bonds after such purchase.

### **Mandatory Tender of Bonds**

Holders of the Bonds will be required to tender their Bonds to the Tender Agent on (a) any Reset Adjustment Date, Variable Rate Adjustment Date or the Fixed Rate Adjustment Date in accordance with the provisions of the Indenture; and (b) 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 that is not tendered as of such date will be deemed to have been tendered to the Tender Agent on such date and will 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 either the Tender Agent will not have 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 when due. On each Settlement Date, the Trustee will pay or cause to be paid to the Tender Agent the Purchase Price of any Bonds for which it has received a Tender Notice and that have not been remarketed pursuant to the Indenture, but only from (i) money obtained by the Trustee pursuant to the Credit Facility to enable the Trustee to pay the Purchase Price of such tendered Bonds, which amounts are to be transferred by the Trustee to the Tender Agent at or before 3:00 p.m., Washington, D.C., time, on the Settlement Date; (ii) Eligible Funds from the Borrower to the extent that money obtained pursuant to (i) 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 will pay such Purchase Price to the registered owners thereof; provided, that if the Purchase Price was theretofore paid from the proceeds of a draw on the Credit Facility, the Tender Agent is to 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.

### **Mandatory Tender of Bonds on Substitution Date**

The Bonds are subject to mandatory tender for purchase on any Substitution Date from the sources available for such purpose described in the Indenture at a Purchase Price equal to the principal amount thereof plus accrued interest to a Substitution Date.

Upon receipt by the Trustee of notice from the Borrower of a planned substitution, the confirmation of the Credit Facility Provider, a form of the Alternate Credit Facility to be in effect on and after the Substitution Date, the form and substance of the disclosure document (if any) to be used in connection with the remarketing of the Bonds on the Substitution Date, and the form of the documents required pursuant to the Financing Agreement, the Trustee will establish the Substitution Date for the mandatory tender and purchase of the Bonds. Such Substitution Date will not be less than 5 days following the date of 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 15 days following the Trustee's receipt of the Alternate Credit Facility.

The Trustee is to give notice to the owners of the Bonds, by first class mail, not less than 9 days before the Substitution Date specifying: (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 described above 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**

The Bonds are subject to optional redemption with the prior written consent of the Credit Facility Provider, and during the Construction Phase, the Construction Phase 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 limitations set forth in the Indenture) or from other Eligible Funds deposited with the Trustee, on any date at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date. See "SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT – 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 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 (i) proceeds of a draw under the Credit Facility, in the amount of 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 (ii) a written direction by the Credit Facility Provider (and, prior to Conversion, the Construction Phase Credit Facility Provider) to redeem such Bonds using moneys 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 a 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 5 days before the date of expiration of any Credit Facility unless the Trustee receives a renewal or extension of or replacement for such Credit Facility meeting the requirements of the Financing Agreement not less than 30 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 whole, upon the occurrence of an “Borrower Default” or a “Construction Lender Default,” provided that no substitute construction lender is substituted in the place and stead of the Construction Phase Credit Facility Provider pursuant to the Construction Phase Financing Agreement or a “Direction to Draw,” as such terms are defined in the Construction Phase Financing Agreement, and upon receipt by the Trustee of a written direction by the Credit Facility Provider to redeem Bonds; or

(f) in whole, on or after the Forward Commitment Maturity Date on any date, if the Conversion Notice is not issued by the Servicer prior to the Forward Commitment Maturity Date unless an Alternate Credit Facility is provided in compliance with the provisions of the Loan Agreement before the Forward Commitment Maturity Date; or

(g) in part on any date, in the event that the Borrower elects to make a Pre-Conversion Loan Equalization Payment, in an amount equal to the amount prepaid by the Borrower; or

(h) in part on any date, in the event and to the extent that amounts remaining in the Bond Mortgage Loan Fund are transferred to the Redemption Fund pursuant to the Indenture for application to the redemption of Bonds; or

(i) 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 Indenture.

## **Selection of Bonds for Redemption**

If less than all the Bonds then Outstanding will be called for redemption, the Trustee will 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 will be selected by lot within each maturity, the cost of such selection being at the Borrower's expense.

Bonds will be redeemed pursuant to the Indenture only in Authorized Denominations.

## **Notice of Redemption**

Notice of the intended redemption of each Bond is to be given by the Trustee by first class mail, postage prepaid, to the registered Owner at the address of such Owner shown on the Bond Register. All such redemption notices are to be given not less than 10 days (not less than 30 days in the case of optional redemptions) nor more than 60 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 are to state the redemption date and the redemption price, the place or places where amounts due upon redemption will be payable, and, if less than all of the Outstanding Bonds are called for redemption, will state (i) the numbers of the Bonds to be redeemed by giving the individual certificate number of each Bond to be redeemed or will 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; (ii) the CUSIP numbers of all Bonds being redeemed if available; (iii) the amount of each Bond being redeemed (in the case of a partial redemption); (iv) the date of issue of the Bond as originally issued; (v) that the Bond bear interest at the variable rate; (vi) the maturity date of each Bond being redeemed; (vii) the possibility of a purchase of Bonds in lieu of redemption, if applicable; (viii) the conditions, if any, that must be satisfied in order for the redemption to take place on the scheduled date of redemption (including, to the extent applicable, notice that a redemption of Bonds at a premium is conditioned upon the receipt by the Trustee of Eligible Funds in an amount sufficient to pay the redemption premium on or prior to the redemption date); and (ix) any other descriptive information needed to identify accurately the Bond being redeemed.

Each notice of redemption will 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 will also be sent by certified mail, overnight delivery service, facsimile transmission or other secure means, postage prepaid, to the Credit Facility Provider, (and, prior to the Conversion Date, the Construction Phase Credit Facility Provider), to the Servicer, to the Rating Agency, to all municipal Securities Depositories and to at least two of the national Information Services that disseminate securities redemption notices, when possible, at least two Business Days prior to the mailing of notices described above, and in any event no later than simultaneously with the mailing of notices required by the paragraph above; provided that neither failure to receive such notice nor any defect in any notice so mailed will 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 will send a second notice of redemption within 60 days following the

redemption date, by certified mail, overnight delivery service, or other secure means, postage prepaid to the registered owners of any Bonds called for redemption, at their addresses appearing on the Bond Register, who have not surrendered their Bonds for redemption within 30 days following the redemption date.

Failure to give notice by mailing to the registered owner of any Bond designated for redemption or tender or to any depository or information service will not affect the validity of the proceedings for the redemption of any other Bond if notice of such redemption has 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 will be of no force and effect and the Bondholders will 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 will become due and payable on the redemption date, and interest thereon will cease to accrue on such date; and such Bonds will 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 Lieu of Redemption**

Notwithstanding anything in the Indenture to the contrary but subject to the provisions of the Indenture described under the heading “Special Purchase of Bonds in Lieu of Redemption” below, upon delivery of a Favorable Opinion of Bond Counsel at any time that the Bonds are subject to redemption in whole or in part pursuant to the provisions of the Indenture, 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 a purchase price equal to the redemption price which would have been applicable to such Bonds on the redemption date. The Bonds will be purchased in lieu of redemption only from amounts provided by the Credit Facility Provider or from other Eligible Funds.

No notice to the holders of the Bonds to be so purchased (other than the notice of redemption otherwise required under the Indenture) will be required, and the Trustee will 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.

### **Special Purchase of Bonds in Lieu of Redemption**

If all Bonds Outstanding are called for redemption in whole under the Indenture at any time that the Construction Phase Credit Facility is in effect, the Bonds may, in lieu of such redemption, be purchased (“Special Purchase Bonds”) by the Trustee, at the written direction of the Construction Phase Credit Facility Provider to the Trustee for the account of the Construction Phase Credit Facility Provider, so long as the Construction Phase Credit Facility Provider has fully and timely honored, and has paid the Credit Facility Provider the full amount drawn by the Credit Facility Provider under, the Construction Phase Credit Facility. Any such purchase of Bonds pursuant to the Indenture is to be in whole and not in part. Such purchase is to be made on the date the Bonds are otherwise scheduled to be redeemed (the “Special Purchase Date”). The purchase price of the Special Purchase Bonds (the “Special Purchase Price”) is to be equal to the principal amount of the Special Purchase Bonds, plus accrued interest, if any,

on the Special Purchase Bonds to the Special Purchase Date. The payment source is to consist solely of funds to be advanced by the Credit Facility Provider under the Credit Facility.

Bonds to be purchased as described in the immediately preceding paragraph that are not delivered to the Trustee on the Special Purchase Date will be deemed to have been so purchased and not redeemed on the Special Purchase Date and will cease to accrue interest as to the former owner on the Special Purchase Date. Special Purchase Bonds will be registered in the name of the Construction Phase Credit Facility Provider or any third party designated by the Construction Phase Credit Facility Provider and delivered to the Construction Phase Credit Facility Provider or the party designated by the Construction Phase Credit Facility Provider. Following such purchase, the registered owner of the Special Purchase Bonds will be the owner of such Bonds for all purposes under the Indenture and interest accruing on such Bonds from and after the Special Purchase Date will be payable solely to the registered owner of the Special Purchase Bonds.

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

### **Trust Estate**

Under the Indenture, the Issuer grants to the Trustee a security interest in the following (said property being herein referred to as the “Trust Estate”), in order to secure the payment of 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:

(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.

(c) Except for funds, money or securities in the Bond Purchase Fund, the Rebate Fund, the Principal Reserve Fund, the Equity Account of the Bond Mortgage Loan Fund and the Cost of Issuance Fund, all funds, money and securities and any and all other rights and interests in property whether tangible or intangible from time to time hereafter 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, which is authorized to receive all such property at any time and to hold and apply the same subject to the terms of the Indenture.

### **Limited Obligations**

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 THEREIN. 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 deliver the Credit Enhancement Agreement to the Trustee. See “FREDDIE MAC” herein and Appendix B hereto. Pursuant to the Credit Enhancement Agreement, Freddie Mac is required to pay Guaranteed Payments with respect to the Bond Mortgage Loan 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.

### **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.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 (“FIRREA”) established Freddie Mac’s eighteen-member Board of Directors (the “Board”). Thirteen members of the Board are elected by the holders of Freddie Mac’s common stock, and the remaining five are appointed by the President of the United States. Freddie Mac is subject to regulation by three agencies of the federal government. The Department of Housing and Urban Development (“HUD”) has responsibility for overseeing Freddie Mac’s fulfillment of its statutory mission, including facilitating the financing of

affordable housing in certain geographic areas and among certain income segments. In addition, the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 created a separate office within HUD, known as the Office of Federal Housing Enterprise Oversight (“OFHEO”), to monitor the adequate capitalization and safe operation of Freddie Mac. The director of OFHEO is appointed by the President of the United States and confirmed by the Senate for a five-year term. Finally, the Secretary of the Treasury must approve the issuance of (including the interest rates of and maturities on) all notes, debentures and substantially identical types of unsecured debt obligations of Freddie Mac, as well as the issuance of types of mortgage-related securities not issued prior to FIRREA.

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 THEREIN. 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.**



## PLAN OF FINANCING

The sources and uses of funds for the Project are projected to be approximately as follows:

### Sources of Funds

Bond Proceeds	\$13,900,00.00
Tax Credit Equity	8,172,132.00
Deferred Developer Fee	1,420,071.00
Other Sources (GIC Income, NOI)	<u>160,654.00</u>
<b>Total</b>	<b><u>\$23,652,857.00</u></b>

### Uses of Funds

Land Acquisition & Title Costs	\$1,720,955.00
Construction Costs & Fees	15,111,358.00
Developer Fee & Overhead	4,453,184.00
Deposit to Capitalized Moneys Account	1,105,050.00
Financing Costs	909,310.00
Marketing/Start Up Reserves	266,000.00
Tax Credit Related Costs	<u>87,000.00</u>
<b>Total</b>	<b><u>\$23,652,857.00</u></b>

### Tax Credit Equity

Simultaneously with the issuance of the Bonds, the Borrower expects to sell an interest in the Project to a tax credit limited partner. See "THE PROJECT AND THE PRIVATE PARTICIPANTS—Low Income Housing Tax Credits."

### THE PROJECT AND THE PRIVATE PARTICIPANTS

*The following has been provided solely by the Borrower. Certain financial information with respect to the Project is included herein. None of the Issuer, Freddie Mac, the Servicer or the Underwriter, or any of their officers or employees, make any representations as to the accuracy or sufficiency of such information.*

### The Project

The Project, to be known as the Costa Ibiza Apartments, will be located on approximately 13.3 acres of land at 17217 Hafer Road, in Houston, Texas. The Project will include 216 units in 13 buildings.

Project amenities are expected to include a swimming pool, a club house, a barbeque area, two playground areas and a fitness center. The Project is expected to include 389 parking spaces. Construction of the Project is anticipated to commence in August 2008 and be completed in September 2009.

Unit amenities will include: central heating and air conditioning and miniblinds. The kitchen amenities will include a range and oven, dishwasher and refrigerator. Each unit will have a covered balcony or patio.

The unit mix of the Project is as follows:

<b><u>Number of Units</u></b>	<b><u>Composition</u></b>	<b><u>Approximate Square Footage</u></b>
12	1 BR/1 BA	789
108	2 BR/2 BA	1010-1044
84	3 BR/2 BA	1255
12	4 BR/2 BA	1561-1685

### **Regulatory Agreements**

**Regulatory Agreement.** The Project is subject to compliance with the Regulatory Agreement which will require certain set asides as described under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT.”

**Tax Credit Regulatory Agreement.** In addition, in connection with the low-income housing tax credits being allowed to the Borrower in connection with the Project, the Borrower will execute the Regulatory Agreement (Extended Use Agreement) (the “Tax Credit Regulatory Agreement”) in accordance with Section 42 of the Code. The Tax Credit Regulatory Agreement extends the low-income housing tax credit income targeting and rent restrictions for the Project under Section 42 of the Code for at least 15 years beyond the initial 15-year compliance period, subject only to a few exceptions. The Tax Credit Regulatory Agreement will, among other things, require that the Borrower lease at least 80% of the units in the Project to tenants earning 60% or less of the area median gross income, with the rents on these units being limited to 30% of an amount equal to 60% of area median income, adjusted for family size, all in accordance with Section 42 of the Code.

### **The Borrower**

The Borrower is Costa Ibiza, Ltd., a Texas limited partnership, formed for the sole purpose of developing and operating the Project. The general partner of the Borrower is NRP Costa Ibiza, LLC, a Texas limited liability company (the “General Partner”).

The Borrower is a single-asset entity and is prohibited from acquiring any substantial assets or engaging in any substantial business activities other than those related to the ownership of the Project. However, affiliates of the Borrower and the General Partner may engage in the acquisition, development, ownership and arrangement of similar types of housing projects, including housing projects in the immediate vicinity of the Project that may compete with the Project.

The managing members of the General Partner and their affiliates (the “Managing Members”) have been in the business of acquiring, owning and operating apartment complexes for over 6 years, and currently own and operate approximately 1,670 units of multifamily housing in Texas and seven other states. In addition, the Managing Members currently have 7 multifamily housing projects under construction.

The Borrower has not acquired and does not intend to acquire any substantial assets or engage in any substantial business activities other than those related to the Project. However, affiliates of the Borrower may engage in the acquisition, development, ownership and management of other similar types of projects that may be competitive with the Project.

No representation is made that the Borrower will have substantial funds available for the Project. Accordingly, neither the Borrower's financial statements nor those of its partners and managers are included in this Official Statement.

### **Low Income Housing Tax Credits**

Simultaneously with the issuance of the Bonds, the Borrower expects to sell to an affiliate or affiliates of Bank of America, N.A. (the "Tax Credit Limited Partner"), a 99.98% limited partnership interest in the Borrower. Pursuant to the sale, the funding of the tax credit equity is expected to total approximately \$8,172,132.00, with an initial contribution of \$2,043,033.00 anticipated to be funded on the issuance date of the Bonds. The funding levels and the timing of the funding are subject to numerous adjustments and conditions which could result in the amounts funded and/or the timing or even occurrence of the funding varying significantly from the projections set forth above and none of the Borrower, the Issuer or the Underwriter makes any representation as to the availability of such funds. The staged funding arrangements are not expected to adversely affect the completion of the Project. The Borrower expects to have sufficient funds to complete construction of the Project.

### **Property Management**

The Project is expected to be managed by NPR Management LLC, an Ohio limited liability company, authorized to do business in the State (the "Manager"). The Manager has been involved in the management of apartment complexes for the past six years. The Manager currently manages 53 multifamily housing properties located in Arizona, Indiana, Ohio, Michigan, New Mexico, North Carolina, Texas and Virginia.

The three owners of the Manager are managing members of the General Partner.

### **Limited Recourse to Borrower**

The Borrower and its partners will not (subject to certain exceptions to nonrecourse liability set forth in the Reimbursement Agreement) be 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 (subject to certain exceptions to nonrecourse liability set forth in the Reimbursement Agreement) be personally liable under the other documents executed in connection with the issuance 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 Project. Accordingly, neither the Borrower's financial statements nor those of its partners and managers are included in this Official Statement.

## **THE SERVICER**

After the Conversion Date, the Servicer will perform mortgage servicing functions with respect to the Bond Mortgage Loan pursuant to the Reimbursement Agreement and the Reimbursement Security Documents on behalf of and in accordance with Freddie Mac requirements. The servicing arrangements between Freddie Mac and the Servicer for the servicing of the Bond Mortgage Loan are solely between Freddie Mac and the Servicer and neither the Issuer nor the Trustee is deemed to be 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 arrangement with Freddie Mac and Freddie Mac's servicing requirements, to perform diligently all services and duties 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.

The Servicer makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility of performance of the Project or compliance with any securities, tax or other laws or regulations. The Servicer's role is limited to originating, processing and servicing the Bond Mortgage Loan pursuant to the Reimbursement Agreement and the Reimbursement Security Documents.

### **THE TRUSTEE**

The Trustee currently serves as trustee for additional tax-exempt bond transactions, including multifamily bond transactions.

The mailing address of the Trustee is MAC T5305-022, 1445 Ross Avenue, 2nd Floor, Dallas, Texas 75202.

### **CERTAIN BONDHOLDERS' RISKS**

*The purchase of the Bonds will involve a number of risks. In addition to factors set forth elsewhere in this Official Statement, purchasers of Bonds should carefully consider the following risk factors in connection with investment in the Bonds. The following summary does not purport to be comprehensive or definitive, of some of such risk factors.*

#### **Failure of Conversion; Pre-Conversion Loan Equalization**

Even if Conversion occurs, no assurance can be given that the principal amount of the Bond Mortgage Loan after Conversion, as finally determined in accordance with the Construction Phase Financing Agreement, will not be less than the original principal amount of the Bond Mortgage Loan. If the principal amount of the Bond Mortgage Loan, as finally determined in accordance with the Construction Phase Financing Agreement is less than the original principal amount of the Bond Mortgage Loan, the principal amount of the Bond Mortgage Loan must, as a Condition to Conversion, be reduced by the Borrower's prepayment of the Bond Mortgage Loan in part (a "Pre-Conversion Loan Equalization Payment"). Upon such prepayment, a corresponding portion of the principal amount of the Bonds will be subject to mandatory redemption as provided in the Indenture. Any such mandatory redemption of Bonds, or purchase of Bonds by the Borrower in lieu of such redemption, will be at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the redemption date. No such redemption will be made at a premium. If such prepayment in part is required as a Condition to Conversion and is not made, Conversion will not occur and the Bonds will be subject to mandatory redemption or purchase in whole, as described above. See "THE BONDS—Mandatory Redemption."

#### **Credit Facility**

During the Variable Period, the primary security for the Bonds will be the Credit Facility delivered by Freddie Mac to the Trustee in order to pay the principal, interest and tender price for the Bonds. See "FREDDIE MAC." Based on this expectation, no financial information as to the creditworthiness of the Borrower or the value of the Project is included herein.

It is possible, in the event of the insolvency of Freddie Mac, or the occurrence of some other event precluding Freddie Mac from honoring its obligations to make payments as stated in the Credit Facility, that the financial resources of the Borrower will be the only source of payment on the Bonds. There can be no assurance that the financial resources of the Borrower would be sufficient to pay the principal, premium if any, and interest on the Bonds in the event the Trustee were forced to seek recourse against the Borrower. See “Enforceability and Bankruptcy” below and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

### **No Borrower Personal Liability**

The Borrower has not been nor will it be (subject to certain exceptions to nonrecourse 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 nonrecourse liability set forth in the Bond Mortgage and subject to certain exceptions to nonrecourse 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 issuance of the Bonds and the making of the Bond Mortgage Loan. All payments on the Bond Mortgage Loan are expected to be derived from revenues generated by the Project.

### **Limited Obligations**

The Bonds are limited obligations of the Issuer payable solely from certain funds pledged to and held by the Trustee pursuant to the Indenture and the Credit Facility.

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 THEREIN. 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.

NOTWITHSTANDING ANYTHING CONTAINED IN THE INDENTURE TO THE CONTRARY, ANY OBLIGATION WHICH THE ISSUER MAY INCUR UNDER THE INDENTURE OR UNDER ANY INSTRUMENT EXECUTED IN CONNECTION THEREWITH WHICH WILL ENTAIL THE EXPENDITURE OF MONEY WILL NOT BE A GENERAL OBLIGATION OF THE ISSUER BUT WILL BE A SPECIAL LIMITED OBLIGATION PAYABLE SOLELY FROM THE TRUST ESTATE. THE BONDS WILL 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 WILL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THE INDENTURE. THE BONDS, TOGETHER WITH INTEREST THEREON, WILL BE SPECIAL 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 WILL 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 WILL BE LIABLE THEREON, AND NOT IN ANY EVENT WILL 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 of Bonds Upon Loss of Tax Exemption on the Bonds**

The Bonds are not subject to acceleration or redemption, and the rate of interest on the Bonds is not subject to 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 owners of the Project) does not comply with the provisions of the Financing Agreement and 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.

### **Redemption**

Purchasers of Bonds, including those who purchase Bonds at a price in excess of their principal amount or who hold such a Bond trading at a price in excess of par, should consider the fact that the Bonds are subject to redemption at a redemption price equal to their principal amount plus accrued interest. This could occur, for example, in the event that the Bond Mortgage Loan is prepaid at the option of the Borrower, or as a result of casualty or condemnation award payments affecting the Project or a default under the Bond Mortgage. See "THE BONDS."

### **Economic Feasibility**

The economic feasibility of the Project depends in large part upon its being substantially occupied at projected rent levels. There can be no assurance that in the future the Borrower will be able to market Project units at rates which will enable it to make timely payments on the Bond Mortgage Loan.

### **Competing Facilities**

The Issuer, the Borrower, and persons who may or may not be affiliated with the Issuer or the Borrower may own, finance, develop, construct, and operate other facilities in the area of the Project that could compete with the Project. Any competing facilities, if so constructed, could adversely affect occupancy and revenues of the Project.

### **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 Facility 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.

## **Additional Subordinate Financing**

During the time that Freddie Mac is the Credit Facility Provider, the Borrower may at a future date obtain additional financing for the Project. If such additional financing is in the form of additional bonds issued by the Issuer, then such bonds may be secured by a different credit facility provided by Freddie Mac at its sole discretion, such bonds will not be on a parity with the Bonds and the payment obligations will be subordinate to the Borrower's payment obligations on the Bond Mortgage Loan. If such additional financing is in the form of a conventional loan by Freddie Mac in its discretion, the payment obligations on the conventional loan also will be subordinate to the Borrower's payment obligations under the Bond Mortgage Loan. In either case, the increased payment 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 summary of certain provisions of the Indenture. The summary does not purport to be complete or definitive and is qualified on its entirety by reference to the Indenture, a copy of which is on file with the Trustee.*

### **Establishment of Funds**

In addition to the Bond Mortgage Loan Fund established pursuant to the Indenture and the Bond Purchase Fund established pursuant to the Indenture, the Trustee will establish, maintain and hold in trust the following funds and accounts, each of which will be disbursed and applied only as authorized in the Indenture:

- (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) Redemption Fund;
- (d) Administration Fund;
- (e) Cost of Issuance Fund;
- (f) Principal Reserve Fund; and
- (g) Rebate Fund.

### **Bond Mortgage Loan Fund.**

The Trustee will receive the proceeds of the sale of the Bonds and will deposit such proceeds into the Bond Mortgage Loan Fund.

Amounts on deposit in the Bond Proceeds Account of the Bond Mortgage Loan Fund will be disbursed from time to time by the Trustee for the purpose of paying (a) interest on the Bonds or (b) Costs of the Development that are approved by the Construction Phase Credit Facility Provider pursuant to the terms, conditions and provisions of the Construction Phase Credit Documents. In addition, amounts in

the Bond Mortgage Loan Fund may be used to pay the Purchase Price of Bonds or for transfer to the Redemption Fund and the Rebate Fund as described below.

Unless the Trustee is instructed otherwise by the Construction Phase Credit Facility Provider, until August 1, 2009, the Trustee will automatically transfer amounts in the Bond Mortgage Loan Fund Bond Proceeds Account to pay interest on the Bonds. Except as set forth in the preceding sentence the Trustee will make disbursements from the Bond Proceeds Account of the Bond Mortgage Loan Fund for purposes described in clause (b) of the preceding paragraph only upon the receipt of Requisitions, signed in all cases by an Authorized Borrower Representative and countersigned by an Authorized Officer of the Construction Phase Credit Facility Provider. The Trustee will, immediately upon each receipt of a completed Requisition signed by an Authorized Borrower Representative and countersigned by an Authorized Officer of the Construction Phase Credit Facility Provider, initiate procedures with the provider of a Qualified Investment to make withdrawals as necessary to fund the Requisition.

Any amounts remaining on deposit in the Bond Proceeds Account of the Bond Mortgage Loan Fund upon the earlier of (a) the Conversion Date and not required to pay Costs of the Project not yet due and payable or being contested in good faith, in each case determined in accordance with the Construction Phase Credit Documents, or (b) the Forward Commitment Maturity Date will be transferred to the Redemption Fund and applied to the redemption of Bonds pursuant to the Indenture, provided that if the Forward Commitment Maturity Date occurs prior to the Conversion Date and if the Trustee purchases the Bonds for the account of the Construction Phase Credit Facility Provider pursuant to the Indenture, such transfer will be made 3 years after the Forward Commitment Maturity Date; provided that any amounts in the Bond Proceeds Account of the Bond Mortgage Loan Fund in excess of the amount needed to redeem the Bonds will be transferred to the Rebate Fund.

Notwithstanding the foregoing, all amounts remaining in the Bond Proceeds Account of the Bond Mortgage Loan Fund on August 1, 2011 shall be transferred to the Redemption Fund and used as soon as practicable to redeem Bonds in accordance with the Indenture.

Amounts on deposit in the Bond Mortgage Loan Fund will be invested as provided under "Investment of Funds" below. All Investment Income earned on amounts on deposit in the Bond Mortgage Loan Fund will be retained in and credited to and become a part of the amounts on deposit in the Bond Mortgage Loan Fund, including any transfers required by the Indenture.

### **Application of Revenues**

All Revenues will be deposited by the Trustee, promptly upon receipt thereof, to the General Account of the Revenue Fund, except (a) the proceeds of the Bonds received by the Trustee on the Delivery Date, which will be applied in accordance with the applicable provisions of the Indenture; (b) amounts paid pursuant to the Credit Facility, which will be deposited in the Credit Facility Account; (c) the Bond Fee Component received from the Servicer or the Borrower, which will be deposited to the Administration Fund; (d) as otherwise specifically provided in the Indenture with respect to certain deposits into the Redemption Fund; (e) as otherwise specifically provided in the Indenture with respect to deficiencies in the Administration Fund; (f) 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 (g) with respect to amounts required to be transferred between funds and accounts as provided in the Indenture. Except as set forth in the Indenture, all investment income earned on amounts on deposit in the Bond Mortgage Loan Fund will be retained therein to be used for purposes of the Bond Mortgage Loan Fund, including any disbursements pursuant to the Indenture or transfers required by 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 (a) amounts paid to the Trustee under the Credit Facility to be applied to the mandatory redemption of all or a portion of the Bonds pursuant to the Indenture and (b) amounts paid to the Trustee under the Credit Facility to be applied to the optional redemption of all or a portion of the Bonds pursuant to the Indenture; 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; (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; and (d) amounts transferred to the Redemption Fund from the Bond Proceeds Account of the Bond Mortgage Loan Fund 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: (1) the General Account of the Revenue Fund; (2) the Administration Fund; (3) 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 are held for payment of Bonds which are no longer Outstanding under the Indenture; and (4) at the written direction of the Credit Facility Provider pursuant to the Indenture, the Principal Reserve Fund.

### **Application of 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 will 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 thereof in the General Account of the Revenue Fund.

### **Redemption Fund**

Any money credited to the Redemption Fund will be applied as set forth in the Indenture; provided, however, 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 in the Indenture, 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 accordance with the Indenture in the General Account of the Revenue Fund and the Administration Fund is 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 by the Trustee to the General Account of the Revenue Fund.

### **Administration Fund**

Prior to the earlier of the Conversion Date or the payment in full of all Bonds Outstanding, amounts on deposit in the Administration Fund will be applied on each Interest Payment Date as follows: first, to the payment of accrued fees that are included in the Bond Fee Component that are due and payable; second, the payment of any fees due and payable to Freddie Mac under the Reimbursement Agreement; and third, to the Construction Phase Credit Facility Provider any fees due and payable under the Construction Phase Credit Reimbursement Agreement. Thereafter, amounts in the Administration Fund will 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 to 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 described 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 will 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 will 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 will 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, will be paid to the Borrower on the Interest Payment Date next succeeding receipt of such interest or profits by the Trustee. In addition, there will be deposited into the Principal Reserve Fund remarketing proceeds relating to Purchased Bonds, which will 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 will 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 will, 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.

On each Reset Adjustment Date, Variable Rate Adjustment Date and on the Fixed Rate Adjustment Date, amounts on deposit in the Principal Reserve Fund will 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 will 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) will be transferred to the Redemption Fund to effect redemptions of Bonds pursuant to the Indenture on the next earliest Interest Payment Date for which notice of redemption under the Indenture can be given.

### **Investment of Funds**

The money held by the Trustee will constitute trust funds for the purposes of the Indenture. Any money attributable to each of the funds and accounts under the Indenture (except the Principal Reserve Fund and the Equity Account of the Bond Mortgage Loan Fund as provided below and the Bond Purchase Fund, the investment of which is provided for under the Indenture) will be invested by the Trustee, at the 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 will have entered 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) 30 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.

Amounts on deposit in the Principal Reserve Fund and the Equity Account of the Bond Mortgage Loan Fund will 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 General Account of the Revenue Fund. Such investments will be sold at the best price obtainable (at least par) whenever it will be necessary so to do in order to provide money to make any transfer, withdrawal, payment or disbursement from said 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 hereby as an investment of money in that fund or account.

### **Rebate Funds**

The Trustee will 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.

Within five days after each receipt or transfer of funds to the Rebate Fund in accordance with the Financing Agreement, the Trustee will withdraw such funds from the Rebate Fund and pay such funds to the United States of America.

Within five days after receipt from the Borrower of any amount pursuant to the Financing Agreement, the Trustee will withdraw such amount from the Rebate Fund and pay such amount to the United States of America.

Moneys and securities held by the Trustee in the Rebate Fund will 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.

### **Cost of Issuance Fund**

The Trustee will 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 in accordance with written instructions to be given to the Trustee by the Borrower and the Construction Phase Credit Facility Provider. Amounts in the Cost of Issuance Fund funded with proceeds of the Bonds, if any, will be expended prior to the application of the Costs of Issuance Deposit. Amounts remaining on deposit in the Cost of Issuance Fund three months after the Delivery Date will be transferred to the Borrower.

### **Payments Under Bond Mortgage Loan**

The Trustee and the Issuer have expressly acknowledged that references in the Indenture to payments or prepayments of the Bond Mortgage Loan will, for all purposes of the Indenture, refer solely to such portion of such payments or prepayments actually paid by the Credit Facility Provider to the Trustee as Guaranteed Payments pursuant to the Credit Facility for which the Borrower has correspondingly reimbursed the Credit Facility Provider in an amount equal to the Guaranteed Payments. Without in any way limiting the foregoing, the Trustee and the Issuer have acknowledged that, pursuant to the Guide, following the Conversion Date, the Servicer will pay the Freddie Mac Credit Enhancement Fee, the Freddie Mac Reimbursement Amount and the Ordinary Servicing Fees and Expenses from payments under the Bond Mortgage Loan made by the Borrower prior to remitting the balance of such payments or prepayments to the Trustee for application as provided in the Indenture.

### **Drawings Under Credit Facility**

The Credit Facility will 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 will 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.

Beginning on the first Interest Payment Date and continuing through the Conversion Date, the Trustee will transfer moneys from the Bond Proceeds Account of the Bond Mortgage Loan Fund, if any, to make timely payments of interest on the Bonds when due and payable (i.e., on Interest Payment Dates, at Bond maturity or upon the redemption or acceleration of the maturity of the Bonds) and to the extent such moneys are insufficient to pay such interest, the Trustee will draw moneys under the Credit Facility in accordance with its terms in an amount sufficient to make timely payments of the interest, but not principal or premium, on the Bonds to be made from the Bond Fund. Prior to the Conversion Date, the Trustee will draw moneys under the Credit Facility in accordance with the terms thereof in an amount sufficient to make timely payments of the principal of the Bonds when due and payable (i.e., on Interest Payment Dates, at Bond Maturity or upon the redemption or acceleration of the maturity of the Bonds).

Following the Conversion Date, the Trustee will draw moneys under the Credit Facility in accordance with the terms thereof in an amount sufficient to make timely payments of the principal of and

interest, but not premium, on the Bonds when due and payable (i.e., on Interest Payment Dates, at Bond maturity or upon the redemption or acceleration of the maturity of the 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 will assume that the Bonds will bear interest at the Maximum Rate from such Variable Interest Computation Date to the next Interest Payment Date and will draw on the Credit Facility accordingly. In the event that the Maximum Rate exceeds the actual interest rate during such period, the excess interest will be immediately returned to the Credit Facility Provider.

### **Events of Default; Acceleration; Remedies**

Each of the following will 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; or

(c) failure to observe or perform any of the covenants, agreements or conditions on the part of the Issuer (other than those set forth in the Indenture) set forth in the Indenture or in the Bonds and the continuance thereof for a period of 30 days (or such longer period, if any, as is specified in the Indenture for particular defaults) after written notice thereof (which notice will be effective only with the written consent of the Credit Facility Provider if no Event of Default has occurred and is then continuing as described in 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 30 day period through the exercise of diligence and the Issuer commences the required cure within such 30 day period and continues the cure with diligence and the Issuer reasonably anticipates that the default could be cured within 60 days, the Issuer will have 60 days 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 will 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.

Upon the occurrence of an Event of Default as described in paragraph (a) above, the Trustee will, but so long as no Event of Default has occurred and is then continuing as described in paragraph (b) above, 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 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 an Event of Default as described in paragraph (c) above, the Trustee may, but so long as no Event of Default has occurred and is then continuing as described in paragraph (b)

above, 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) and, prior to the Conversion Date, the Construction Phase Credit Facility Provider, by notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued 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 an Event of Default described in paragraph (b) above, 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 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 described in paragraphs (a) or (c) above will be made from the Credit Facility.

If at any time after the Bonds will have been so declared due and payable, and before any judgment or decree for the payment of the money due will have been obtained or entered, the Issuer, the Borrower, the Credit Facility Provider or, prior to the Conversion Date, the Construction Phase Credit Facility Provider, as applicable, will 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 have been 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 will have been made good or cured or waived in writing by the Credit Facility Provider (or, if an Event of Default described under paragraph (b) above 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 will 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 Event of Default has occurred and is continuing under paragraph (b) above, 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 will deem most effectual to protect and enforce such rights; provided that, so long as no Event of Default has occurred and is then continuing under paragraph (b) above, 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) and, prior to the Conversion Date, the Construction Phase 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 enjoin any acts or things that may be unlawful or in violation of the rights of the Holders of the Bonds and 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 or under the Financing Agreement, the Regulatory Agreement, the Credit Facility or the Reimbursement Agreement, as applicable, 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 will be subject to the provisions of the Intercreditor Agreement.

### **Rights of Bondholders**

If an Event of Default under clause (b) set forth in the first paragraph under “Events of Default; Acceleration; Remedies” above will have 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 will exercise one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, will deem to be in the best interests of the affected Bondholders. If an Event of Default under clause (b) set forth in the first paragraph under “Events of Default; Acceleration; Remedies” above will have occurred and is then 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 provisions of the Indenture, 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.



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 will 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, hereby waives, 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 Indenture will, 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 will 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 will be insufficient for such payment, such money (other than money held for the payment or redemption of particular Bonds as provided in the Indenture) will 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 Event of Default described in clause (b) of the first paragraph under the heading “Events of Default; Acceleration; Remedies” above 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 will 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 will not be restricted to Eligible Funds), on any Bonds which will 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 will have become or have been declared due and payable, to the payment of the principal of, premium, if any (which payment of premium will 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 an Event of Default described in clause (b) of the first paragraph under the heading “Events of Default; Acceleration; Remedies” above 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**

If an Event of Default described in paragraph (a) or (c) of the first paragraph under “Events of Default; Acceleration; Remedies” above will have occurred and so long as no Event of Default has occurred and is then continuing as described under paragraph (b) under the caption “Events of Default; Acceleration; Remedies” above, 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 provision therein described as the Trustee will deem 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, will deem to be in the best interests of the Bondholders and the Credit Facility Provider; provided, however, that in any event, so long as no Event of Default has occurred and is then continuing as described in paragraph (b) of the first paragraph under “Events of Default; Acceleration; Remedies” above, 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 Event of Default has occurred and is then continuing under as described in paragraph (b) of the first paragraph under “Events of Default; Acceleration; Remedies” above, in the case of an Event of Default as described in paragraph (a) or (c) of the first paragraph under “Events of Default; Acceleration; Remedies” above, the Credit Facility Provider will have 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.

### **Supplemental Indentures Not Requiring Consent of Bondholders**

The Issuer and the Trustee may from time to time and at any time, without the consent of, or notice to, any of the Bondholders, but with the prior written consent of the Credit Facility Provider, and, prior to the Conversion Date, the Construction Phase 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 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, the Trustee and the 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 materially 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 thereof, if notice of the proposed supplemental indenture is given to Bondholders (in the same manner as notices of redemption are given) at least 30 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; and

(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 "Supplemental Indentures Requiring Consent of Bondholders" below.

### **Supplemental Indentures Requiring Consent of Bondholders**

With the prior written consent of the Credit Facility Provider and, prior to the Conversion Date, the Construction Phase 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 such indenture or supplemental indentures as will be 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 as permitting, (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 reduction in the principal amount or reduction in the rate of interest on or extension of the time of payment, of interest on, or reduction of any premium payable on the redemption of, any Bonds, or a reduction in the Borrower's obligation on the Bond Mortgage Note, without the consent 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 in 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 the consent of the Holders of all of the Bonds then Outstanding, (d) the modification of the rights, duties or immunities of the Trustee, without the written 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 will request the Trustee to enter into any such supplemental indenture for any of the purposes of this heading, the Trustee will, 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 and, prior to the Conversion Date, the Construction Phase Credit Facility Provider. Such notice will briefly set forth the nature of the proposed supplemental indenture and will 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 will have first been or is simultaneously delivered to the Trustee the required consents, in writing, of the Credit Facility Provider and, prior to the Conversion Date, the Construction Phase Credit Facility Provider and the Holders of not less than the percentage of Bonds described above. If the Holders of not less than the percentage of Bonds required by the Indenture will have consented to and approved the execution and delivery of a supplemental indenture as provided herein, no Holder of any Bond will 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 under this heading, the Indenture will be and be deemed to be modified and amended in accordance therewith.

Anything in the Indenture to the contrary notwithstanding, unless the Borrower will 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 will not become effective unless and until the Borrower will have expressly consented in writing to the execution and delivery of such supplemental indenture. In this regard, the Trustee will 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 15 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, the Holders of all Bonds then Outstanding and, as applicable, the Borrower.

### **Amendments to Financing Agreement Not Requiring Consent of Bondholders**

The Trustee will, without the consent of, or notice to, the Bondholders, but with the consent of the Borrower, the Credit Facility Provider and, prior to the Conversion Date, the Construction Phase 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, the Financing Agreement or 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 materially 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 30 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 described under the heading “Amendments to Financing Agreement Not Requiring Consent of Bondholders” above, neither the Issuer nor the Trustee will consent to any other amendment, change or modification of the Financing Agreement without the consent of the Credit Facility Provider, the Borrower and, prior to the Conversion Date, the Construction Phase Credit Facility Provider, 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 under the

heading “Supplemental Indentures Requiring Consent of Bondholders” above; provided, however, that nothing described under this heading will 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 will request the consent of the Trustee to any such proposed amendment, change or modification of the Financing Agreement, the Trustee will cause notice of such proposed amendment, change or modification to be given in the same manner as described under the heading “Supplemental Indentures Requiring Consent of Bondholders” above. Such notice will briefly set forth the nature of such proposed amendment, change or modification and will 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 (including but not limited to provisions in the Credit Enhancement Agreement), (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 will 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.

### **Trustee**

The Trustee and any successor Trustee may at any time resign from the trusts created under the Indenture by giving 60 days written notice to the Issuer, the Borrower, the Tender Agent, the Remarketing Agent, the Credit Facility Provider and, prior to the Conversion Date, the Construction Phase Credit Facility Provider, and by giving notice by certified mail or overnight delivery service to each Holder of the Bonds then Outstanding. Such notice to the Issuer, the Borrower, the Tender Agent, the Remarketing Agent, the Credit Facility Provider and, prior to the Conversion Date, the Construction Phase Credit Facility Provider, may be served personally or sent by certified mail. The Trustee will 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. If no successor Trustee will have been appointed and have accepted appointment within 60 days following delivery of all required notices of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

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 will not be unreasonably withheld) and, prior to the Conversion Date, the Construction Phase Credit Facility Provider, 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 will have occurred and be continuing, other than an Event of Default described in paragraph (b) of the first paragraph under “Events of Default; Acceleration; Remedies” above, 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 an Event of Default described in paragraph (b) of the first paragraph under “Events of Default; Acceleration; Remedies” above will 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 and, prior to the Conversion Date, the Construction

Phase Credit Facility Provider. Any such removal will take effect on the day specified in such written instrument(s), but the Trustee will not be discharged from the trusts created by the Indenture 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 will resign or be removed, or be dissolved, or will be in course of dissolution or liquidation, or otherwise become incapable of acting under the Indenture, or will be adjudged a bankrupt or insolvent, or if a receiver of the Trustee or of its property will be appointed, or if a public supervisory office will take charge or control of the Trustee or of its property or affairs, a vacancy will forthwith and ipso facto be created in the office of such Trustee pursuant to the Indenture, and the Issuer, with the written consent of the Credit Facility Provider and, prior to Conversion, the Construction Phase Credit Facility Provider, will promptly appoint a successor Trustee and give notice of such appointment to the Remarketing Agent.

### **Discharge of Lien**

If the Issuer will pay or cause 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 and in the Bonds, in any one or more of the following ways:

(a) by the payment of the 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 (as provided in the Indenture) 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 will have paid all amounts due and owing to the Credit Facility Provider under the Indenture and under 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 will have paid all fees and expenses of the Issuer, the Asset Oversight Agent, the Trustee, the Servicer, the Tender Agent, the Remarketing Agent, each Paying Agent and the Construction Phase Credit Facility Provider, and if the Issuer will keep, perform and observe 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 hereby 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 will be requisite to satisfy the lien thereof, and reconvey to the Issuer the estate hereby 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 amounts held by the Trustee for the payment of principal of, interest and premium, if any, on the Bonds, the payment of any amounts owed to the United States under the Indenture or the payment of any amounts payable to the Credit Facility Provider or the Construction Phase Credit Facility Provider.

Any Outstanding Bond will prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the first paragraph under this heading 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 will have been fulfilled: (a) in case such Bond is to be redeemed on any date prior to its maturity, the Trustee will have given to the Bondholder irrevocable notice of redemption of such Bond on said date; (b) there will be on deposit with the Trustee, pursuant to the Indenture, 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 60 days of such deposit, the Trustee will 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 will 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.

The Trustee will in no event cause the Bonds to be optionally redeemed from money deposited as described under this heading unless the requirements in the Indenture have been met with respect to such redemption, including the requirements under the Indenture.

#### **SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT**

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

#### **Terms of the Bond Mortgage Loan**

The Bond Mortgage Loan is to (a) be evidenced by a Bond Mortgage Note; (b) be initially secured by the Credit Facility; (c) be in the principal amount of \$13,900,000; (d) bear interest at such rate or rates as provided in the Bond Mortgage Note; (e) provide for monthly payments into the Principal Reserve Fund in accordance with the Principal Reserve Schedule; and (f) 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 the Bond Mortgage Note.

#### **Payments Under the Bond Mortgage Note; Independent Obligation of Borrower**

The Borrower has agreed 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 when due all amounts payable with respect to the Bonds when due, whether at maturity or by 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 for 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 respective 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 be subject to the limitations set forth in the Financing Agreement, absolute and unconditional and will not be subject to diminution by set-off, recoupment, counterclaim, abatement or otherwise.

#### **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, 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.

#### **Prepayment of the Bond Mortgage Loan**

The Borrower will 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 only 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 below. The Borrower will be required to prepay the Bond Mortgage Loan in each case that Bonds are required to be redeemed pursuant to the provision of 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 is to 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 Fund 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, under the Indenture and the Reimbursement Agreement.

#### **Borrower's Obligations Upon Redemption or Tender**

In the event of any redemption, the Borrower is to 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 to the redemption date and premium, if any. The Borrower is to 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 is to cause to be paid, under and subject to the terms of the Reimbursement Agreement and the Credit Facility 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 to the mandatory tender date or optional tender date, as the case may be.

### **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, the Trustee or the Bondholders), may, on any Business Day during a Variable Period, arrange for the delivery to the Trustee of an Alternate Credit Facility in substitution for the Credit Facility then in effect (referred to as “credit support”) and, if applicable, for payment of the Purchase Price of Bonds delivered or deemed delivered in accordance with the Indenture (referred to as “liquidity support”). Notwithstanding the preceding sentence, 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, without the consent of the Borrower (and without the consent of the Issuer, the Trustee or the Bondholders), if (A) the conditions of the Indenture are satisfied or (B) (x) the Rating Agency confirms in writing that the substitution will not adversely affect the current rating of the Bonds, (y) the Credit Facility Provider delivers to the Issuer and the Trustee an Opinion of Counsel satisfying the requirements of clause (c) below, and (z) 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 will 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, such Bonds will be entitled to credit support and to the liquidity support required; provided, that in no event will Freddie Mac be obligated to provide only liquidity or credit support if any Person other than Freddie Mac provides either liquidity or credit support.

(b) The Alternate Credit Facility is to (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 extraordinary mandatory redemption date pursuant to the Indenture; (iii) unless waived by resolution of the Issuer in its sole and absolute discretion, result in the Bonds receiving a long-term rating or short-term rating, in one of the 2 highest rating categories of the Rating Agency without regard to pluses or minuses and (iv) 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 (if any) made relating to the Alternate Credit Facility and Reimbursement Agreement contained in any new disclosure document or supplement to the existing disclosure document relating to the Bonds are true and correct, that the Alternate Credit Facility is not required to be registered under the Securities Act of 1933, as amended 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.

### **Events of Default**

The following will be “Events of Default” under the Financing Agreement and the term “Event of Default” will mean, whenever it is 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 or the Bond Mortgage, as applicable;

(c) The Borrower’s failure to observe and perform any of its other covenants, conditions or agreements contained in the Financing Agreement other than as referred to in paragraph (a) above for a period of 30 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 will be 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 will at the discretion of the Credit Facility Provider constitute an Event of Default under the Financing Agreement. The occurrence of an Event of Default will in the discretion of the Credit Facility Provider constitute a default under the Bond Mortgage Loan Documents and the Reimbursement Agreement.

### **Remedies on Default**

Subject to the Financing Agreement and the provisions of the Intercreditor Agreement, whenever any Event of Default under the Financing Agreement will 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 Indenture.

(b) In the event any of the Bonds will at the time be 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 due under the Financing Agreement then due and thereafter to become due, 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 that would be applicable to payment of principal of and interest and any premium on the Bonds collected pursuant to action described under this heading will be applied in accordance with the provisions of the Indenture.

The provisions described under this heading are subject to the further limitation that if, after any Event of Default all amounts which would then be payable under the Financing Agreement by the Borrower if such Event of Default had not occurred and was not continuing will have been paid by or on behalf of the Borrower, and the Borrower will have also performed all other obligations in respect of which it is then in default under the Financing Agreement, 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 owed to the Credit Facility Provider, including but not limited to any Freddie Mac Reimbursement Amounts and Freddie Mac Credit Enhancement Fees (in the case that Freddie Mac is the Credit Facility Provider), and if there will then be no Event of Default existing under the Indenture, 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.

#### **SUMMARY OF CERTAIN PROVISIONS OF THE CONSTRUCTION PHASE FINANCING AGREEMENT**

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

The Construction Phase Credit Facility Provider and Freddie Mac will enter into a Construction Phase Financing Agreement, dated as of the date of the Indenture, which governs the rights of the Construction Phase Credit Facility Provider and Freddie Mac during the period from the Delivery Date to the earlier of (a) the Conversion Date and (b) the Forward Commitment Maturity Date (such period being the "Construction Phase").

The Construction Phase Credit Facility Provider will deliver a Construction Phase Credit Facility to Freddie Mac to secure Freddie Mac against any loss Freddie Mac may incur as a result of advancing funds under the Credit Enhancement Agreement during the Construction Phase. Upon the occurrence of (a) a payment default by the Borrower under the Bond Mortgage Note that is not cured within the applicable cure period, if any; or (b) receipt by Freddie Mac of any notice from the Trustee demanding payment under the Credit Enhancement Agreement, which payment is not reimbursed by the Borrower on the date for reimbursement set forth in the Reimbursement Agreement, provided, in either case, that the Construction Phase Credit Facility Provider fails to cure such payment default within five Business Days following written notice from Freddie Mac, Freddie Mac has the right to draw against the Construction Phase Credit Facility. Freddie Mac also has the right to draw on the Construction Phase Credit Facility if the Conditions to Conversion are not satisfied prior to the Forward Commitment Maturity Date or the failure of the Construction Lender to make punctual payment of any amount due and owing under the Bond Mortgage Loan following the occurrence of an event of default by the Borrower under the Bond

Mortgage Loan and the continuance of such event beyond any applicable notice and cure period. Upon any such draw on the Construction Phase Credit Facility and receipt by Freddie Mac of payment in full under such draw, Freddie Mac is to direct the Trustee to accelerate the Bond Mortgage Loan and redeem the Bonds (or upon direction of the Construction Phase Credit Facility Provider, purchase the Bonds in lieu of redemption). Upon the redemption of the Bonds or the purchase of Bonds at the direction of the Construction Phase Credit Facility Provider in lieu of redemption, and provided that the Construction Phase Credit Facility Provider has timely paid Freddie Mac the full amount drawn by Freddie Mac under the Construction Phase Credit Facility, Freddie Mac is to assign its interest in the Bond Mortgage Loan and the Bond Financing Documents to the Construction Lender and release and discharge the Reimbursement Mortgage.

Upon the occurrence of voluntary or involuntary bankruptcy or certain other designated events of insolvency with respect to the Construction Phase Credit Facility Provider, among other things, Freddie Mac will have the right to draw upon the Construction Phase Credit Facility and, if a substitute Construction Phase Credit Facility Provider has not been substituted in place of the then existing Construction Phase Credit Facility Provider within 45 days following such draw, Freddie Mac is to direct the Trustee to accelerate the Bond Mortgage Loan and call the Bonds for mandatory redemption or, in certain instances, as more fully set forth in the Construction Phase Financing Agreement, at the direction of the Construction Phase Credit Facility Provider, purchase in lieu thereof.

Bondholders will have no interest in, will have no rights under, and are not third-party beneficiaries of the Construction Phase Credit Facility. The Construction Phase Credit Facility is solely for the benefit of Freddie Mac.

## **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.*

### **Defined Terms**

Capitalized terms used under this heading and not defined hereunder or elsewhere in this Official Statement will have the meanings assigned thereto in the Reimbursement Agreement.

### **General**

The obligations of the Borrower to Freddie Mac under the Credit Enhancement Agreement will be evidenced by a Reimbursement Agreement. Under the Reimbursement Agreement, the Borrower will be obligated to repay Freddie Mac all sums of money Freddie Mac has advanced to the Trustee under the Credit Enhancement Agreement. The Reimbursement Agreement also provides that the Borrower is to pay the Freddie Mac Credit Enhancement Fee, the Servicing Fee, and other fees, expenses and amounts as provided therein.

### **Events of Default**

Under the provisions of the Reimbursement Agreement, Freddie Mac may declare an Event of Default if any one of the following occurs:

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

(ii) the Borrower fails to perform certain obligations under the Reimbursement Agreement, including those relating to maintaining the tax exempt status of the Bonds or maintaining its character as a single purpose entity or fail to perform its obligations under the Reimbursement Agreement to deliver a Subsequent Hedge, to provide certain notices or satisfactory evidence required in the Reimbursement Agreement relating to termination of a Hedge or to provide an executed counterpart of a Subsequent Hedge when required by the Reimbursement Agreement;

(iii) the Borrower fails to observe or perform any other term, covenant, condition or agreement set forth in the Reimbursement Agreement, which failure continues for a period of 30 days after notice of such failure by Freddie Mac to Borrower (unless such default cannot with due diligence be cured within 30 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 will be deemed to exist so long as Borrower will have commenced to cure the default or Event of Default within 30 days after receipt of notice, and thereafter diligently and continuously prosecutes such cure to completion); provided, however, no such notice or grace periods will 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;

(iv) the Borrower fails to observe or perform any other term, covenant, condition or agreement set forth in any of the other Borrower Documents or there will 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);

(v) 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;

(vi) Freddie Mac shall have given the Borrower written notice that Purchased Bonds have not been remarketed as of the 90th 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;

(vii) 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 Financing Documents; or

(viii) 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).

## **Remedies**

Upon the occurrence of 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 will 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 has the right to take such action at law or in equity, without notice or demand, as it deems advisable to protect and enforce the rights of Freddie Mac against the Borrower in and to the Project conveyed by the Reimbursement Mortgage or the Bond Mortgage, including, but not limited to, the following actions: (i) 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; (ii) 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 accelerate or cause the mandatory redemption (or purchase in lieu) of the Bonds; (iii) exercise any rights and remedies available to Freddie Mac under any of the Borrower Documents; and (iv) exercise the same rights, powers, and remedies with respect to the UCC Collateral (as defined in the Reimbursement Agreement) that the Borrower may exercise, which rights, powers, and remedies are incorporated therein by this reference for all purposes. In furtherance and not in limitation of the foregoing, Freddie Mac will have all rights, remedies and recourses with respect to the UCC Collateral granted in the Borrower Documents and any other instrument executed in connection therewith, or existing at common law or equity (including specifically those granted by the Uniform Commercial Code as adopted in the State), the right of offset, the right to sell the UCC Collateral at public or private sale, and the right to receive distributions to the Borrower.

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 will extend only to the specific event or occurrence which gave rise to the Event of Default so waived and not to any other similar event or occurrence which occurs subsequent to the date of such waiver.

## **Reimbursement Mortgage**

The obligations of the Borrower under the Reimbursement Agreement will be secured by the Reimbursement Mortgage. Bondholders will have no rights under the Reimbursement Mortgage.

## **Amendments**

The Reimbursement Agreement can be amended by Freddie Mac and the Borrower without the consent of, or notice to, the Issuer, the Trustee or the holders of the Bonds.

## **SUMMARY OF CERTAIN PROVISIONS OF THE INTERCREDITOR AGREEMENT**

*The following is a 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, Trustee, Freddie Mac and the Construction Phase Credit Facility Provider will agree upon their respective rights arising from an Event of Default under either the Bond Financing Documents or the Bond Mortgage Loan Documents in an Intercreditor Agreement, dated as of the date of the Indenture (the "Intercreditor Agreement"). Under the terms of the Intercreditor Agreement, the Issuer, the Trustee, Freddie Mac and the Construction Phase Credit Facility Provider will agree, 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 (a “Wrongful Dishonor”) 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 will 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 Bond Mortgagee (as defined in the Bond Mortgage) under the Bond Mortgage may (except for the exercise of remedies to preserve the tax-exempt status of the Bonds and the Trustee’s right to seek payment of certain fees due under the Financing Agreement) be exercised only with the consent or at the direction of Freddie Mac, in its sole discretion, including (without limitation) the right to waive certain terms and conditions of certain of the Bond Financing Documents pertaining to the Borrower.

Notwithstanding anything to the contrary contained in the Financing Agreement and pursuant to the Intercreditor Agreement, as long as Freddie Mac is not in default of its obligations under the Credit Enhancement Agreement, neither the Issuer, the Trustee nor any other person, upon the occurrence of an Event of Default under the Financing Agreement or any event of default under the Bond Mortgage Loan, is to take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Bond Mortgage Loan Documents, except at the direction of Freddie Mac; provided that such prohibition will not be construed to limit the rights of the Issuer or the Trustee to specifically enforce the Regulatory Agreement in order to provide for operation of the Project in accordance with the Code and the Act or to enforce other Unassigned Rights or reserved rights of the Trustee; and provided further that such prohibition will not be construed to limit the indemnification rights of the Issuer, the Trustee, the Servicer, Freddie Mac, the Construction Phase Credit Facility Provider or any other indemnified party to enforce its rights against the Borrower under the Financing Agreement, Reimbursement Agreement or Construction Phase Credit Reimbursement Agreement by mandamus or other suit, action or proceeding at law or in equity where such suit, action or proceeding does not seek any remedies under or with respect to the Bond Mortgage Loan.

In connection with delivery of the Credit Enhancement Agreement, Freddie Mac and the Construction Phase Credit Facility Provider will agree in the Construction Phase Financing Agreement to certain conditions to the exercise by Freddie Mac of its remedies pursuant to the Reimbursement Mortgage. The Construction Phase Credit Facility Provider and Freddie Mac agree that before the Conversion Date and provided that the Construction Phase Credit Facility Provider has honored its obligations under the Construction Phase Credit Facility, any provision requiring the consent of Freddie Mac or direction by Freddie Mac to the Trustee will also require the consent or direction, as applicable, of the Construction Phase Credit Facility Provider. See “SUMMARY OF CERTAIN PROVISIONS OF THE CONSTRUCTION PHASE FINANCING AGREEMENT” herein.

## **SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT**

*The following is a 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.*

### **Tax-Exempt Status of the Bonds**

The Borrower will 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 will be excluded from gross income for federal income tax purposes. In particular, the Borrower has covenanted and agreed, among other things, 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 Units and facilities functionally related and subordinate thereto, in accordance with Section 142(d) of the Code;

(ii) that the Development will consist of one building or structure or several proximate and interrelated buildings or structures, each of which will be a discrete edifice or other man-made construction consisting of an independent foundation, outer walls and a roof, and all of which (i) will be 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, (ii) are owned by the same person for federal income tax purposes, and (iii) were financed pursuant to a common plan;

(iii) that substantially all of the Development will consist of similarly constructed 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 that are reasonably required for the Development and other facilities that are reasonably required for the Development;

(iv) that each Unit in the Development will contain 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 will be separate and distinct from other units;

(v) that each Unit in the Development will be rented 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 pursuant to (iii) above), that the Borrower will not give preference in renting Units to any particular class or group of persons, other than Low-Income Tenants, Persons with Special Needs and other Eligible Tenants as provided in the Regulatory Agreement, 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 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 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 will be functionally related and subordinate to the Units comprising the Development and will be of a size and character that is commensurate with the size and number of such Units.

(b) The Borrower has represented, covenanted and agreed, continuously during the Qualified Project Period, that

(i) at least 40% 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 will be occupied or held vacant and available for occupancy at all times by Low-Income Tenants. 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 will be redetermined; and

(ii) the Borrower will obtain income certifications from each Low-Income Tenant and maintain complete and accurate records pertaining to Low-Income Tenants and file and maintain all documents, reports and records required by Section 142(d) of the Code and the Regulatory Agreement, including tenant income certifications.

### **Housing Development During the State Restrictive Period**

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 has represented, covenanted and agreed, among other things, 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 Low Income Tenants;

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

(c) 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;

(d) 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; and

(e) the Borrower will expend at least \$10 per unit per month on tenant supportive services as set forth in the Regulatory Agreement.

### **Repairs and Maintenance Required by State Law**

The Borrower will maintain the Replacement Reserve created by the Replacement Reserve Agreement (as such term is defined in the Regulatory Agreement) or a similar account for the longer of: (a) the period of time required pursuant to the Replacement Reserve Agreement, or (b) the State Reserve Period (as such term is defined in the Regulatory Agreement) as required by Section 2306.186 of the Texas Government Code.

### **Maximum Allowable Rents**

The Borrower has represented, covenanted and agreed that in consideration for and as required by the reservation granted under Chapter 1372 of the Texas Government Code, as amended, during the Qualified Project Period, the maximum rent charged for 100% of the Units shall not exceed 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 determined by procedures authorized under the federal low-income housing tax credit program.

### **Persons With Special Needs**

The Borrower had represented covenanted and warranted that (a) at least 5 percent of the Units within the Development have been designed to be accessible to Persons with Special Needs and hardware and cabinetry will be stored on site or will be provided to be installed on an as needed basis in such Units, and (b) during the State Restrictive Period, it will use its best efforts (including giving preference to Persons with Special Needs) to: (i) make at least 5 percent of the Units within the Development available for occupancy by Persons with Special Needs, (ii) make reasonable accommodations for such persons and (iii) allow reasonable modifications at the tenant's sole expense (including the cost of removing the modifications and restoring the related Unit at the end of the tenant's occupancy) pursuant to the Housing Act. During the State Restrictive Period, the Borrower will maintain written policies regarding the Borrower's outreach program and marketing program to Persons with Special Needs.

### **Sale or Transfer of the Development or Change in General Partner**

The Borrower has covenanted and agreed not to sell, transfer or otherwise dispose of the Development, prior to the expiration of the Qualified Project Period (other than pursuant to the lease of Units to Eligible Tenants), without (a) complying with any applicable provisions of the Regulatory Agreement, Financing Agreement, the Owner Tax Certificate (as such term is defined in the Regulatory Agreement) and the other Mortgage Loan Documents and (b) obtaining the prior written consent of the Issuer. Such consent of the Issuer will not be unreasonably withheld and will be given if certain conditions to the sale or other disposition set forth in the Regulatory Agreement are met or waived in writing by the Issuer. Except as provided in the Regulatory Agreement, the Borrower may not change its general partner by transfer, sale or otherwise without the prior written consent of the Issuer.

## **Term**

The Regulatory Agreement and all and each of the provisions thereof will become effective upon its execution and delivery, will remain in full force and effect for the periods provided in the Regulatory Agreement and, except as otherwise provided in this section, will terminate in its entirety at the end of the State Restrictive Period, it being expressly agreed and understood that the provisions of the Regulatory Agreement 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 will 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 in the Regulatory Agreement will 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 Closing Date which prevents the Issuer or the Trustee from enforcing the provisions of the Regulatory Agreement, 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 will cease to apply and the requirements referred to therein will 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 or for the purposes of Texas law.

## **Default; Enforcement by the Trustee and the Issuer**

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 for a period of 60 days after written notice thereof will have been given by the Issuer or the Trustee to the Borrower and the Investor Limited Partner, then the Trustee, acting on behalf of the Issuer, will 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 60 days, such default will not constitute an Event of Default under the Regulatory Agreement and will not be declared an Event of Default so long as (a) the Borrower and/or Investor Limited Partner institutes corrective action within said 60 days and diligently pursues such action until the default is corrected and (b) in the opinion of Bond Counsel, the failure to cure said default within 60 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, may, at its option, take any one or more of the following steps:

(a) 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;

(b) 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

(c) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenant and agreements of the Borrower under the Regulatory Agreement.

All rights and remedies in the Regulatory Agreement 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 will, to the extent that it has actual knowledge thereof, by notice in writing, use its reasonable efforts to inform the Trustee, the Credit Facility Provider, the Construction Phase Credit Facility Provider and the Borrower (provided that the failure to notify will not adversely affect the Issuer's or the Trustee's rights under the Regulatory Agreement) that a violation of the Regulatory Agreement has occurred.

#### **Enforcement of Certain Provisions by Tenants and Other Private Parties**

(a) Following the declaration of an Event of Default under the Regulatory Agreement with respect to the provisions under subsections (b) and (c) of "Housing Development During the State Restrictive Period" above only, a tenant of the Development or any private party may, at its option by mandamus or other suit, including injunctive relief, require the Borrower to perform its obligations and covenants under the provisions under subsections (b) and (c) of "Housing Development During the State Restrictive Period."

(b) If the Issuer, a tenant of the Development, or any private party brings an action to enforce the obligations and covenants of the Borrower under the provisions under subsections (b) and (c) of "Housing Development During the State Restrictive Period," such party will have the right to recover reasonable attorney's fees directly from the Borrower, without recourse to the Development, if such party is successful in an action seeking enforcement of such obligations and covenants of the Borrower under the Regulatory Agreement. This is the only monetary relief a tenant of the Development or other private parties may receive under the Regulatory Agreement and any such recovery is subject to the provisions set forth under "Default; Enforcement by the Trustee and the Issuer" above and the Freddie Mac Rider, if and when applicable.

#### **Amendments**

Subject to the provisions of the Regulatory Agreement, the Regulatory Agreement will be amended only by a written instrument executed by the parties thereto and Freddie Mac, or their successors in title, and duly recorded in the real property records of Harris County, Texas, and only upon receipt by the Issuer of a Favorable Opinion of Bond Counsel and is not contrary to the provisions of the Act.

#### **Freddie Mac Rider**

Applicability. The provisions of this Rider shall amend and supplement the provisions of, and in the event of a conflict shall supersede the conflicting provisions of, the Regulatory Agreement.

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) neither the Issuer nor the Trustee 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 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 with respect to the Bond Mortgage. The Issuer and the Trustee acknowledge the foregoing limitations.

#### **NO CONTINUING DISCLOSURE**

During the time the Bonds bear interest at Variable Rates pursuant to the Indenture, the Bonds are exempt from the continuing disclosure requirements of Securities Exchange Issuer Rule 15c2-12(b)(5). Accordingly, no continuing disclosure with respect to the Bonds, the Borrower, Freddie Mac or the Issuer will be provided to the owners of the Bonds so long as the Bonds bear interest at Variable Rates. Pursuant to the Financing Agreement, the Borrower will covenant and agree that on and after adjustment of the interest rate on the Bonds to a Reset Rate or the Fixed Rate, it will comply with and carry out all of the provisions of a Continuing Disclosure Agreement between the Borrower and the Trustee to be executed and delivered as a condition precedent to the adjustment of the interest rate with respect to such Bonds to a Reset Rate or the Fixed Rate.

#### **TAX MATTERS**

In the opinion of Bond Counsel, assuming compliance with certain covenants and based upon 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. Interest on the Bonds will not be subject to the alternative minimum tax 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 “Service”). The Issuer and the Borrower have covenanted in the Indenture, Loan 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, Loan 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, Loan Agreement and Regulatory Agreement or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income for federal income from the date of original delivery of the Bonds, regardless of the date on which the event causing such includability 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 pursuant to Section 142(d)(i) of the Code. The “Qualified Project Period” for the Development will commence on the first day on which 10 percent of the units in the Development are 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 are first occupied; (2) the date on which no tax-exempt private activity bond (as defined in Section 141 of the Code) with respect to the Development remains outstanding; or (3) the date on which any assistance provided with respect to the Development 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 Loan 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 Loan 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.

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. 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. Bond Counsel will express no opinion with respect to its 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, 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.

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 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.

## **UNDERWRITING**

Citigroup Global Markets Inc., on behalf of itself and Stern Brothers & Co. (collectively, the “Underwriter”), has entered into a Bond Purchase Agreement to purchase the Bonds at the price shown on the cover page hereof. For its services under the Bond Purchase Agreement, the Underwriter will be paid a fee in an amount equal to \$134,250 (the “Underwriting Fee”), from which fee the Underwriter will pay certain fees and expenses with respect to the issuance and sale of the Bonds including the fees and expenses of its counsel. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased and that such obligations under such Bond Purchase Agreement to accept delivery of the Bonds are subject to certain terms and conditions, including the approval of certain legal matters by counsel and delivery of the Bonds. The public offering price of the Bonds may be changed



from time to time at the discretion of the Underwriter. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trust) and certain dealer banks and banks acting as agent at prices lower than the prices set forth on the inside front cover page hereof.

The payment of the legal fees of Katten Muchin Rosenman LLP is contingent upon the closing of the Bonds.

### **RATING**

Moody's has assigned to the Bonds the ratings set forth on the cover hereof. The ratings reflect only the views of the rating agency, and an explanation of the significance of such ratings may be obtained from it. No assurance can be given that the ratings will be maintained for any given period of time or that the ratings may not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of the ratings may have an adverse effect on the market price of the Bonds. The Underwriter and the Issuer have undertaken no responsibility after issuance of the Bonds to assure the maintenance of the ratings or to oppose any such revision or withdrawal.

### **CERTAIN LEGAL MATTERS**

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Vinson & Elkins L.L.P., Bond Counsel. Certain legal matters will be passed upon for Freddie Mac by its legal division and by Kutak Rock LLP, Omaha, Nebraska, for the Borrower by Broad and Cassel, Orlando, Florida, and for the Underwriter by Katten Muchin Rosenman, Washington, DC.

### **ABSENCE OF LITIGATION**

#### **The Issuer**

There is no pending or, to the knowledge of the Issuer, any threatened litigation against the Issuer that in any way questions or affects the validity of the Bonds or any proceedings or transactions relating to issuance or remarketing of the Bonds.

#### **The Borrower**

There is no pending or, to the knowledge of the Borrower, any threatened litigation against the Borrower which in any way questions the validity of the Bonds or any proceedings or transactions relating to issuance or remarketing of the Bonds, or that would materially adversely affect the Borrower's obligations under the Bond Financing Documents.

### **ENFORCEABILITY OF REMEDIES**

The remedies available to the Trustee and the owners of the Bonds upon an Event of Default under the Indenture, the Financing Agreement, the Credit Enhancement Agreement, or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds 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.

#### **MISCELLANEOUS**

Any statements herein 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, the Borrower and the purchasers or owners of any of the Bonds.

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[Borrower's Signature Page to Official Statement]

**COSTA IBIZA, LTD.**, a Texas limited partnership

By: NRP Costa Ibiza, LLC, a Texas limited liability  
company, its general partner

By: /s/ David Heller  
David Heller  
Managing Member

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## APPENDIX A

### DEFINITIONS OF CERTAIN TERMS

*The following terms, as used in this Official Statement, have the respective meanings provided below (unless otherwise defined in this Official Statement).*

“*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.

“*Advance*” has the meaning set forth in the Credit Enhancement Agreement.

“*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 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.

“*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.

“*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, dated August 1, 2008, 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, with respect to Bonds during any Variable Period, \$100,000 principal amount or any integral multiple of \$5,000 greater than \$100,000.

“*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.

*“Authorized Officer”* means (a) when used with respect to the Issuer, any Authorized Issuer Representative, (b) when used with respect to the Borrower, any managing 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 authorized signatory 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 Credit Facility Provider, and initially shall mean Vinson & Elkins L.L.P.

*“Bond Fee Component”* means the regular, ongoing fees from time to time to 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.

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

*“Bond Mortgage”* means the Multifamily Deed of Trust, Assignment of Rents and Security Agreement and Fixture Filing dated as of August 1, 2008, together with all riders and addenda thereto, granting a first priority leasehold 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 in the original principal amount of \$13,900,000 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 August 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 years after the Delivery Date, a bond year shall end on each anniversary of the Delivery Date and on the final Maturity Date.

“*Borrower*” means Costa Ibiza, Ltd., a limited partnership duly organized and existing under the laws of the State of Texas, or any of its permitted successors or assigns, as owner of the Development.

“*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) and, during the Construction Phase, the Principal Office of the Construction Phase Credit Facility Provider 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 will be read and construed as a single instrument.

“*Code*” means the Internal Revenue Code of 1986, as amended; each reference to the Code is deemed to include (i) any applicable successor internal revenue law and (ii) the applicable regulations whether final, temporary or proposed under the Code or such successor law. Any reference to a particular provision of the Code is deemed to include any successor provision of any successor internal revenue law and applicable regulations whether final, temporary or proposed under such provision or successor provision.

“*Completion Date*” means the date on which the construction of the Development is completed, in accordance with the Credit Facility Provider’s requirements, as evidenced by a certification of the Servicer delivered to the Issuer, the Trustee, the Credit Facility Provider, the Construction Phase Credit Facility Provider and the Borrower.

“*Conditions to Conversion*” has the meaning given to that term in the Construction Phase Financing Agreement.

“*Construction Phase*” has the meaning given to that term in the Construction Phase Financing Agreement.

“*Construction Phase Credit Documents*” means, individually and collectively, the Construction Phase Financing Agreement, the Construction Phase Credit Facility, the Construction Phase Credit Reimbursement Agreement and all other documents evidencing, securing or otherwise relating to the Construction Phase Credit Facility, including all amendments, modifications, supplements and restatements of such documents.

“*Construction Phase Credit Facility*” means the Letter of Credit or any replacement construction phase credit facility acceptable to the Credit Facility Provider.

“*Construction Phase Credit Facility Provider*” means Bank of America, N.A., as provider of the Construction Phase Credit Facility, and its successors and assigns.

“*Construction Phase Credit Reimbursement Agreement*” means the Reimbursement Agreement between the Borrower and the Construction Phase Credit Facility Provider, as such agreement may be amended, modified, supplemented or restated from time to time.

“*Construction Phase Financing Agreement*” means the Construction Phase Financing Agreement, dated as of August 1, 2008, by and between the Credit Facility Provider and the Construction Phase Credit Facility Provider, as such agreement may be amended, modified, supplemented or restated from time to time.

“*Conversion*” means the conversion of the Bond Mortgage Loan from the Construction Phase to the Permanent Phase.

“*Conversion Date*” means the first day of the month following the month in which the Conversion Notice is issued by the Servicer or such other date as is approved by Freddie Mac.

“*Conversion Notice*” means a written notice by the Servicer to the Issuer, the Trustee, the Borrower, the Construction Phase Credit Facility Provider and the Credit Facility Provider given prior to the Forward Commitment Maturity Date (a) stating that each of the Conditions to Conversion has been



satisfied prior to the Forward Commitment Maturity Date or, if any Condition to Conversion has not been satisfied prior to the Forward Commitment Maturity Date, has been waived in writing by the Credit Facility Provider prior to the Forward Commitment Maturity Date, and (b) specifying the Conversion Date.

“*Cost*,” “*Costs*” or “*Costs of the Development*” means, to the extent authorized by the Act and the Code, any and all costs incurred by the Borrower with respect to the acquisition, construction and equipping, as the case may be, of the Development, 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 of the Development.

“*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, Owner’s counsel, Underwriter’s counsel, Freddie Mac’s counsel, [Construction Lender’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.

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

“*Costs of Issuance Deposit*” means the deposit of the Borrower with the Trustee on the Delivery Date in the amount set forth in the Indenture to pay Costs of Issuance.

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

“*Credit Enhancement Agreement*” means the Credit Enhancement Agreement, dated as of August 1, 2008, 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, from and after the Conversion Date, pursuant to 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 the Guide or Forward Commitment, as applicable) pursuant to which a Custodial Escrow Account is established and maintained.

“*Custodian*” means Wells Fargo 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.

“*Dated Date*” means August 1, 2008.

“*Delivery Date*” means the date of initial delivery of the Bonds to the initial purchasers thereof against payment therefor.

“*Development*” or “*Project*” means the acquisition, construction and equipping of the multifamily residential rental housing project known as Costa Ibiza Apartments owned by Borrower and located in Houston, Harris County, Texas to be financed in part with the proceeds of the Bond Mortgage Loan.

“*Development Costs*” means, to the extent authorized by the Act and the Code, any and all costs incurred by the Owner 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 this Regulatory Agreement, including, without limitation, the value of the land and buildings on the land; costs for site preparation, demolition, and development; costs and fees paid for the planning, execution, and financing of the Development, including, without limitation, Costs of Issuance; other expenses reasonable and necessary to determine the feasibility of the Development; contractors and Owner’s overhead and supervisor’s fees and costs directly allocable to the Development; and administrative and other expenses reasonable and necessary to the Development and the financing thereof.

“*DTC*” means The Depository Trust Company, New York, New York, as securities depository for the Bonds pursuant to the Indenture.

“*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 (including any Bond proceeds deposited to the Bond Mortgage Loan Fund on the Delivery Date), (d) proceeds from the investment or reinvestment of moneys 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 moneys to holders of the Bonds would not constitute a voidable 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 moneys to the payment of the Bonds.

*“Eligible Tenants”* means (a) individuals and families of low, very low and extremely low income, (b) families of moderate income (in each case in the foregoing clauses (a) and (b) 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.

*“Event of Default”* or “event of default” means any of those events specified in and defined by the applicable provisions of the Indenture or the Financing Agreement, as applicable, to constitute an event of default.

*“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 other 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 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).

*“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.

“*Forward Commitment*” means the commitment from Freddie Mac to the Servicer, pursuant to which Freddie Mac has agreed to provide credit enhancement for the Bond Mortgage Loan and liquidity support for the Bonds, as the same may be amended, modified or supplemented from time to time.

“*Forward Commitment Maturity Date*” means the date that is 30 months following the Delivery Date, unless extended by Freddie Mac in its sole discretion.

“*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 given to that term in the Reimbursement Agreement.

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

“*Fund*” means any fund established pursuant to the Indenture.

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

“*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 given that term 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 the called Bonds or, if the Trustee does not select a service, then such service as the Issuer may designate in a certificate of the Issuer delivered to the Trustee.

“*Intercreditor Agreement*” means the Intercreditor Agreement, dated as August 1, 2008, among the Issuer, the Trustee, the Construction Phase Credit Facility Provider and Freddie Mac, as the same may be amended or supplemented.

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

“*Interest Payment Date*” means September 2, 2008 and thereafter (i) for interest accrued during any Variable Period, the first Business Day of each month, and (ii) 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 during the Variable Period, 35 days’ interest computed at the Maximum Rate, or such lesser number of days as may be acceptable to the Rating Agency (as confirmed in writing by the Rating Agency).

“*Investor Limited Partner*” means Bank of America, N.A., a national banking association, together with its successors and assigns.

“*Issuer*” means Texas Department of Housing and Community Affairs, a public and official agency of the State of Texas.

“*Issuer Administration Fee*” means the fee payable annually in arrears to the Issuer on each August 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 the Delivery Date to August 1, 2010; 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 August 1, 2011.

“*Issuer Compliance Fee*” means the fee payable annually in advance to the Issuer on each August 1, commencing August 1, 2009, in the amount of \$40 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 August 1, 2009 to July 31, 2010; 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 August 1, 2010.

“*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 Remarketing Agreement.

“*Issue Fee*” means the Issuer Administration Fee and the Issuer Compliance Fee.

“*Letter of Credit*” means the unconditional irrevocable letter or letters of credit provided by the Construction Phase Credit Facility Provider on or before the Delivery Date pursuant to the Construction Phase Financing Agreement.

“*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 Indenture and therefore, with respect to which there are no proceeds of remarketing.

“*Liquidity Commitment*” means the obligation of Freddie Mac to make Liquidity Advances.

“*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 for the purposes of Section 151(c) 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.

“*Low-Income Unit*” means a Unit that is included as a Unit satisfying the requirements of the Set Aside.

“*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 owner of the Bonds (other than a “substantial user” of the Development, the Borrower or any “related person,” as such quoted terms are defined in the Code) to be included in the gross income of such owner of the Bonds for purposes of federal income taxation; or (b) legislation enacted or any action taken by the Securities and Exchange Issuer 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 has occurred or exists 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 Date 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 that 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 on the cover page of this Official Statement.

“*Maximum Rate*” means 12% per annum; provided that without amendment to any Bond Document pursuant to the Indenture the Maximum Rate may be increased to a specified higher Maximum Rate if there have been delivered to the Trustee and the Remarketing Agent (a) an opinion of Bond Counsel to the effect that such higher Maximum Rate is permitted under applicable law and will not, in itself, cause the interest on the Bonds to be includeable in gross income for federal tax purposes and (b) either (1) 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 Maximum Rate, or (2) a new or amended Credit Facility in an amount equal to the sum of (i) the then outstanding principal amount of the Bonds and (ii) the new Interest Requirement calculated using the new Maximum Rate; provided,

further, that the Maximum Rate will never exceed the maximum rate permitted by applicable law to be paid on the Bonds or to be charged on the Bond Mortgage Loan.

“*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.

“*Mode*” means any of the Variable Rate, the Reset Rate and the Fixed Rate.

“*Moody’s*” means Moody’s Investors Service, Inc., and 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 gross insurance proceeds or a condemnation award, including reasonable attorney fees.

“*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 on the first day of each month, commencing on the date and in an amount provided in the Forward Commitment.

“*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 12-month period, which fee is equal to (and will not exceed) \$5,000 and will be payable annually in advance on the Delivery Date and on each August 1 thereafter, commencing August 1, 2009.

“*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:

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

(b) 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 has been given or arrangements satisfactory to the Trustee have been made therefor, or waiver of such notice satisfactory in form to the Trustee has been filed with the Trustee; and

(c) 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 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 known by the Trustee to be owned by or for the account of the Borrower or any Person owned, controlled by, under common control with or controlling the Borrower will be disregarded and deemed to be not outstanding,

Outstanding, unless all Bonds shall be so owned, and provided that the Trustee has 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 hereof (Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledge 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 will 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.

"*Permanent Phase*" has the meaning given to that term in the Construction Phase Financing Agreement.

"*Person*" means an individual, corporation, firm, association, partnership, limited liability company, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof or any other organization or entity (whether governmental or private).

"*Persons with Special Needs*" means persons who (a) are considered to be individuals having a disability under State or federal law, (b) are elderly, meaning 60 years of age or more, (c) 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 (d) are legally responsible for caring for an individual described by clauses (a), (b) or (c) above and meet the income guidelines established by the governing board of the Issuer.

"*Pledge Agreement*" means that certain Pledge, Security and Custody Agreement, dated as of August 1, 2008, by and 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.

"*Pre-Conversion Loan Equalization Payment*" has the meaning given to that term in the Reimbursement Agreement.

"*Principal Component*" will have 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 specified in the Indenture or such other office or offices as the Remarketing Agent may designate in writing 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 specified in the Indenture, or such other office or offices as the Tender Agent may designate in writing 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 specified in the Indenture, or such other office or offices as the Trustee may designate in writing 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 attached 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 set forth in the Reimbursement Agreement.

“*Purchased Bond*” means any Bond during the period from and including the date of its purchase by the Trustee on behalf of and as agent for 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.

“*Purchase Price*,” with respect to any Bond required to be purchased pursuant to the Indenture (except as described below), means the principal amount of such Bond plus interest accrued thereon to the Settlement Date and with respect to any Bond to be purchased in lieu of redemption pursuant to the Indenture means the principal amount of such Bond plus any redemption premium due thereon plus interest accrued thereon to the Settlement Date.

“*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 “VMIG-1” by Moody’s 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 Moody’s to its outstanding long-term unsecured debt which is the highest rating (as defined below) for long-term unsecured debt obligations assigned by Moody’s and which are approved by the Credit Facility Provider (and prior to the Conversion Date, the Construction Phase Credit Facility Provider); or (g) shares or units in any money market mutual fund (including mutual funds of the Trustee or its affiliates) registered under the Investment Company Act of 1940, as amended, whose investment portfolio consists solely of

Government Obligations, and which fund has been rated “Aaa” by Moody’s; or (h) any other investments approved in writing by the Credit Facility Provider (and prior to the Conversion Date, the Construction Phase Credit Facility Provider). For purposes of this definition, the “highest rating” will mean a rating of at least “VMIG-1” for obligations with less than one year maturity; at least “Aaa/VMIG-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, will be tied to a single interest rate index plus a single fixed spread, if any, and move proportionately with such index.

“*Qualified Project Period*” means, with respect to the Development, the period beginning on the first day on which 10% of the Units are occupied and ending on the latest of (a) the date that is 15 years after the date on which 50% of the Units in the Development are occupied, (b) the first day on which no tax-exempt private activity bond issued with respect to the Development is outstanding for federal income tax purposes, or (c) the date on which any assistance provided with respect to the Development under Section 8 of the Housing Act terminates.

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

“*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 Business Day immediately preceding an Interest Payment Date and during any Reset Period or the Fixed Rate Period, the 15th day of the month preceding the month in which any Interest Payment Date falls.

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

“*Regulatory Agreement*” means the Regulatory and Land Use Restriction Agreement relating to the Development, dated as of August 1, 2008 among the Issuer, the Trustee and the Borrower, as it may be amended, supplemented or restated from time to time.

“*Reimbursement Agreement*” means the Reimbursement and Security Agreement dated as of August 1, 2008 between the Borrower and Freddie Mac, as the same may be amended, supplemented or restated from time to time, and upon the effectiveness of any Alternate Credit Facility, any similar agreement between the Borrower and the Alternate Credit Facility Provider pursuant to which the Borrower agrees to reimburse the Alternate Credit Facility Provider for payments made under the Alternate Credit Facility, as such agreement may be amended, supplemented or restated.

“*Reimbursement Mortgage*” means the Multifamily Deed of Trust, Assignment of Rents and Security Agreement and Fixture Filing (Reimbursement) dated as of August 1, 2008 from the Borrower to Freddie Mac, together with all riders and addenda thereto, granting a second priority mortgage and security interest in the Development to Freddie Mac to secure the obligations of the Borrower under the Reimbursement Agreement and all documents related thereto, and upon the effectiveness of any Alternate Credit Facility, any similar mortgage, deed of trust, deed to secure debt, security interest or other lien or

encumbrance granting a mortgage and security interest in the Development to the Alternate Credit Facility Provider to secure similar obligations of the Borrower to the Alternate Credit Facility Provider, as the same may be amended, supplemented or restated.

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

“*Remarketing Agreement*” means the Remarketing Agreement dated as of August 1, 2008 between the Remarketing Agent and the Borrower, or any similar agreement between the Remarketing Agent and the Borrower, in each case as originally executed or as it may be amended or supplemented from time to time in accordance with its terms.

“*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.

“*Required Bond Mortgage Payment*” and “*Guaranteed Payment*” has the meaning set forth in the Credit Enhancement Agreement attached hereto as Appendix .

“*Requisition*” means, with respect to the Bond Mortgage Loan Fund, the requisitions in the forms attached to the Indenture required to be submitted in connection with certain disbursements from the Bond Mortgage Loan 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 an 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 services department of the Trustee.

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

“*Revenues*” means (i) 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), (ii) payments made by the Credit Facility Provider pursuant to the Credit Facility and (iii) all moneys and securities held by the Trustee in the funds and accounts established pursuant to the Indenture (excluding moneys or securities in the Cost of Issuance Fund, the Principal Reserve Fund, the Equity Account of the Bond Mortgage Loan Fund and the Rebate Fund, together with all investment earnings thereon).

“*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 registered securities depository which has been designated in a certificate of the Issuer delivered to the Trustee; or such other securities depositories as the Issuer may designate in a certificate of the Issuer delivered to the Trustee and the Credit Facility Provider.

“*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 will be Citibank, N.A., a national banking association.

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

“*State*” means the State of Texas.

“*State Restrictive Period*” means, with respect to the Development, the period beginning on the first day on which the Owner takes legal possession of the Development, and at least 10% of the Units are available for occupancy and ending on the latest of (a) the date that is 30 years after the first day of the State Restrictive Period, (b) 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 (c) the date on which any assistance provided with respect to the Development under Section 8 of the Housing Act terminates.

“*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.

“*Swap Credit Enhancement Agreement*” means an agreement between Freddie Mac and the Counterparty, as such agreement may from time to time be amended or supplemented.

“*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.

“*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.

“*Trust Estate*” has the meaning set forth in the Granting Clauses.

“*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 (i) the negotiability, registration and transfer of the Bonds, (ii) the loss or destruction of the Bonds, (iii) 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, (iv) the maintenance of insurance by the Borrower, (v) no liability of the Issuer to third parties and (vi) 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 *Unassigned Rights*, as defined 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 comply with Section 2306.186 of the Texas Government Code.

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

*"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 will begin on the Delivery Date 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"* means the failure of Freddie Mac to honor a draw made in accordance with the terms of the Credit Facility (which draw strictly complies with, and conforms to, the terms and conditions of the Credit Facility.)

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**APPENDIX B**  
**FORM OF CREDIT ENHANCEMENT AGREEMENT**

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**Freddie Mac Loan No.: 501123505 (Construction)**  
**Freddie Mac Loan No.: 504123475 (Permanent)**

**CREDIT ENHANCEMENT AGREEMENT**

**between**

**FEDERAL HOME LOAN MORTGAGE CORPORATION**

**and**

**WELLS FARGO BANK, NATIONAL ASSOCIATION,  
as Trustee**

**Relating to a  
Bond Mortgage Loan  
Securing**

**\$13,900,000**

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS  
(COSTA IBIZA APARTMENTS)  
SERIES 2008**

**Dated as of August 1, 2008**

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## **CREDIT ENHANCEMENT AGREEMENT**

**THIS CREDIT ENHANCEMENT AGREEMENT** (this “Agreement”) made and entered into as of August 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 **WELLS FARGO BANK, NATIONAL ASSOCIATION** (the “Trustee”), a national banking association, duly organized and existing under the laws of the United States, in its capacity as Trustee under a Trust Indenture dated as of August 1, 2008 (the “Indenture”), between the Texas Department of Housing and Community Affairs (the “Issuer”) and the Trustee,

### **W I T N E S S E T H:**

**WHEREAS**, pursuant to the Indenture the Issuer has issued its Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Ibiza Apartments) Series 2008 (the “Bonds”) in the original principal amount of \$13,900,000; and

**WHEREAS**, pursuant to a Financing Agreement dated as of August 1, 2008 (the “Financing Agreement”) among the Issuer, the Trustee and Costa Ibiza, LTD., a 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 finance 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 promissory note dated as of August 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 August 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 dated as of August 1, 2008 contemporaneously with the execution and delivery hereof (the “Reimbursement Mortgage”) with respect to the Project; and

**WHEREAS**, prior to the Conversion of the Bond Mortgage Loan, the Borrower has arranged for Bank of America, N.A., a national banking association, duly organized and existing under the laws of the United States (the “Construction Phase Credit Facility Provider”) to provide its unconditional irrevocable letter of credit to Freddie Mac (the “Construction Letter of Credit”) to secure the reimbursement obligations of the Borrower prior to the Permanent Phase; and

**WHEREAS**, to evidence the Borrower’s reimbursement obligations to the Construction Phase Credit Facility Provider for draws made under the Construction Letter of Credit, the Borrower and the Construction Phase Credit Facility Provider will enter into a Reimbursement Agreement dated as of August 1, 2008 (the “Credit Agreement”); and

**WHEREAS**, the Borrower’s obligations to the Construction Phase Credit Facility Provider under the Credit Agreement will be secured under a Deed of Trust, Assignment, Security Agreement and Fixture Filing dated as of August 1, 2008 (the “Construction Mortgage”) from the Borrower for the benefit of the Construction Phase Credit Facility Provider; and

**WHEREAS**, the rights of the Issuer, the Trustee, the Construction Phase Credit Facility Provider and Freddie Mac to enforce remedies under the Bond Mortgage, the Construction Mortgage and the Reimbursement Mortgage, respectively, are governed by an Intercreditor Agreement dated as of August 1, 2008 among the Issuer, the Trustee, the Construction Phase Credit Facility Provider and Freddie Mac; and

**WHEREAS**, Citibank, 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 (initially \$13,900,000) 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 Bonds (Costa Ibiza Apartments) Series 2008 issued in the original principal amount of \$13,900,000.

“*Bond Mortgage*” means the First Multifamily Deed of Trust, Assignment of Rents and Security Agreement and Fixture Filing dated as of August 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 \$13,900,000 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 promissory note from the Borrower to the Issuer in the original principal amount of \$13,900,000, 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 August 1, 2008 and (ii) any other date on which principal of the Bond Mortgage Note is paid.

“*Borrower*” means Costa Ibiza, Ltd., a limited partnership duly organized and existing under the laws of the State of Texas, 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 Wells Fargo 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/Servicer Guide, as amended, modified or supplemented from time to time.

“*Indenture*” means that certain Trust Indenture dated as of August 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 August 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 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 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 August 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:

	<b>Interest Component</b>	<b>Principal Component</b>
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, <i>less</i> 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 Citibank, 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) the earlier of (i) the sixth (6<sup>th</sup>) day of the month in which the thirtieth anniversary of the Conversion Date occurs, or (ii) August 6, 2041, (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 Wells Fargo 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 (initially \$13,900,000) 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); provided that as a condition to a draw for interest under this Credit Enhancement Agreement, the amount on deposit in the Bond Mortgage Loan Fund shall be insufficient to pay accrued interest on the Bonds. 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 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 *Annual Reports.*** 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. 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:

Wells Fargo Bank  
ABA Routing Number: 121000248  
A/C: 000103877 Corporate Trust Clearing for further credit to 23047700  
Re: TDHCA Cost Ibiza  
Attn: Deri Ward (713) 289-3463

## 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 take over the operations of Freddie Mac, or 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: Wells Fargo Bank, National Association  
1021 Main Street, Suite 2403  
MAC T5017-241  
Houston, Texas 77002  
Attention: Corporate Trust Services  
Facsimile: (713) 289-3488  
Telephone: (713) 289-3463

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.

**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: \_\_\_\_\_  
Title: \_\_\_\_\_

[Freddie Mac Signature Page to Costa Ibiza Apartments Credit Enhancement Agreement]

**WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Trustee**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

[Trustee's Signature Page to Costa Ibiza Apartments Credit Enhancement Agreement]



**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: Costa Ibiza Apartments

Related Bonds: \$13,900,000 Texas Department of Housing and Community Affairs  
Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Ibiza  
Apartments) Series 2008

CUSIP Number: 88275A CD0

Loan No.: \_\_\_\_\_

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 August 1, 2008 relating to the Bond Mortgage Loan  
securing the Bonds referenced above**

Bond Mortgage Payment Date: \_\_\_\_\_, \_\_\_\_\_  
Funds on deposit in the Bond Mortgage Loan Fund: \_\_\_\_\_<sup>1</sup>  
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.

\_\_\_\_\_  
<sup>1</sup> If funds on deposit in the Bond Mortgage Loan Fund exceed the accrued interest on the Bond Mortgage Loan and there is no Principal Component due with respect to such Guaranteed Payment, the amount of the Guaranteed Payment shall be zero.

WELLS FARGO 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: Costa Ibiza Apartments

Related Bonds: \$13,900,000 Texas Department of Housing and Community Affairs  
Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Ibiza  
Apartments) Series 2008

CUSIP Number: 88275A CD0

Loan No.: \_\_\_\_\_

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 August 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.

WELLS FARGO 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

**\$13,900,000**

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS  
(COSTA IBIZA APARTMENTS)  
SERIES 2008**

The undersigned, a duly authorized officer of Wells Fargo Bank, National Association, as Tender Agent (the "Tender Agent") under the Trust Indenture (the "Indenture") dated as of August 1, 2008, between the Texas Department of Housing and Community Affairs and Wells Fargo 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 August 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 \_\_\_\_\_, \_\_\_\_\_.

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Tender Agent

By: \_\_\_\_\_  
Name:  
Title:





\*Freddie Mac Loan Number(s): \_\_\_\_\_

\*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 Wells Fargo Bank, National Association (the “Trustee”), a national banking association, duly organized and existing under the laws of the United States, 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]

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**APPENDIX C**  
**FORM OF BOND COUNSEL OPINION**

August \_\_, 2008

Texas Department of Housing and  
Community Affairs  
Austin, Texas

Wells Fargo Bank, National Association,  
as Trustee  
Houston, Texas

Citigroup Global Markets Inc.  
New York, New York

Federal Home Loan Mortgage Corporation  
McLean, Virginia

Stern Brothers & Co.  
St. Louis, Missouri

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 \$13,900,000 Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Ibiza Apartments) Series 2008 (the “Bonds”) pursuant to a resolution adopted by the Governing Board of the Issuer on June 26, 2008 (the “Bond Resolution”) and a Trust Indenture dated as of August 1, 2008 (the “Indenture”), by and between the Issuer and Wells Fargo 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 August 1, 2008 (the “Financing Agreement”) among the Issuer, the Trustee and Costa Ibiza, Ltd., a Texas limited partnership (the “Borrower”), or in the Regulatory and Land Use Restriction Agreement dated as of August 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 provide financing for the 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 not an item of tax preference includable in alternative minimum taxable income for purposes of calculating the federal 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 Citigroup Global Markets Inc., on behalf of itself 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 includable in gross income for federal income tax purposes from the date of original delivery of the Bonds, regardless of the date on which the event causing such includability 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 ownership of, receipt of interest on, 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,

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