

*In the opinion of Bracewell & Giuliani LLP, assuming compliance with certain covenants and based on certain representations, (i) 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 (as defined below) or a "related person" of such a "substantial user" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended, and (ii) interest on the Bonds is not subject to the alternative minimum tax imposed on individuals and corporations. See "TAX MATTERS" herein for a discussion of Bracewell & Giuliani LLP's opinion. Additionally, see "TAX MATTERS – Tax Exemption" identifying circumstances when an opinion of nationally recognized bond counsel is required as a condition for an interest rate mode conversion.*

**\$14,500,000**  
**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**  
**MULTIFAMILY HOUSING REVENUE BONDS**  
**(THE WATERS AT WILLOW RUN APARTMENTS)**  
**SERIES 2013**

Dated Date of Delivery

Maturity Date: October 1, 2016  
Initial Mandatory Tender Date: October 1, 2014

The Bonds are issuable only as fully registered bonds without coupons in the denomination of \$5,000 principal amount or any greater integral multiple of \$5,000. Interest on the Bonds will be payable on each April 1 and October 1, commencing April 1, 2014. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Bonds will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York. Principal of and interest on the Bonds is payable by Wilmington Trust, National Association, as trustee (the "Trustee"), to Cede & Co., which is to remit such payments to the Direct Participants (as defined herein) for subsequent disbursement to the purchasers of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are being issued by the Texas Department of Housing and Community Affairs (the "Issuer"), pursuant to a Trust Indenture (the "Indenture"), dated as of September 1, 2013, by and between the Issuer and the Trustee, to provide financing to The Waters at Willow Run, LP, a Texas limited partnership (the "Borrower"), for the acquisition and construction of an approximately 242-unit multifamily housing development (the "Development") located in Austin, Texas. Under the terms of the Indenture, an amount equal to the principal amount of the Bonds is to be deposited in the Project Fund established under the Indenture and invested pursuant to the Indenture.

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\$14,500,000 0.35% Bonds Due October 1, 2016, Price 100%  
 Subject to mandatory tender or mandatory redemption on October 1, 2014

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The Bonds are subject to redemption prior to maturity as set forth herein. See "THE BONDS" herein.

NOTWITHSTANDING ANYTHING 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 SHALL ENTAIL THE EXPENDITURE OF MONEY SHALL NOT BE A GENERAL OBLIGATION OF THE ISSUER BUT SHALL BE A SPECIAL LIMITED OBLIGATION PAYABLE SOLELY FROM THE TRUST ESTATE ESTABLISHED UNDER THE INDENTURE. THE BONDS SHALL CONSTITUTE A VALID CLAIM OF THE RESPECTIVE HOLDERS THEREOF AGAINST THE TRUST ESTATE, WHICH IS PLEDGED TO SECURE THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS (THE "BOND SERVICE CHARGES") AND WHICH SHALL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THE INDENTURE. THE BONDS, TOGETHER WITH INTEREST THEREON, SHALL 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 HOLDERS THEREOF AGAINST ONLY, THE TRUST ESTATE. THE BOND SERVICE CHARGES SHALL NOT BE DEEMED TO CONSTITUTE DEBT OF THE ISSUER (EXCEPT TO THE EXTENT OF THE TRUST ESTATE). THE BONDS ARE NOT AND DO NOT CREATE OR CONSTITUTE IN ANY WAY AN OBLIGATION, A DEBT OR A LIABILITY OF THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION THEREOF, OR CREATE OR CONSTITUTE A PLEDGE, GIVING OR LENDING OF THE FAITH OR CREDIT OR TAXING POWER OF THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION THEREOF. THE ISSUER HAS NO TAXING POWER.

The Bonds are subject to mandatory tender for purchase, subject to satisfaction of the applicable terms and conditions of remarketing set forth in the Indenture, or mandatory redemption, if the conditions to remarketing the Bonds are not met, on October 1, 2014 (the "Initial Mandatory Tender Date"). All Bondholders must tender their Bonds for purchase on the Initial Mandatory Tender Date. The Bonds may be remarketed and a new interest rate for the Bonds may be determined on the Initial Mandatory Tender Date in accordance with the terms of the Indenture, or the Bonds may be redeemed and cancelled on the Initial Mandatory Tender Date. If the Bonds are remarketed on the Initial Mandatory Tender Date, the terms of the Bonds after such date may differ materially from the description provided in this Official Statement. Therefore, prospective purchasers of the Bonds on and after the Initial Mandatory Tender Date cannot rely on this Official Statement, but rather must rely upon any disclosure documents prepared in connection with such remarketing.

*The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Bracewell & Giuliani LLP, Austin, Texas, and Bates & Coleman, P.C., Houston, Texas, Co-Bond Counsel, and by the Attorney General of the State of Texas. Certain legal matters will be passed upon for the Underwriter by its counsel, Sidley Austin LLP, Washington, D.C., and for the Borrower by its counsel, Locke Lord LLP, Dallas, Texas. Certain financial advisory services have been provided to the Issuer by George K. Baum & Company. It is expected that the Bonds will be available for delivery to The Depository Trust Company in New York, New York, on or about September 24, 2013.*

**MERCHANT CAPITAL**  
 L.L.C.

No broker, dealer, salesman or other person has been authorized by the Issuer or 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 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 Issuer has not and does not assume any responsibility as to the accuracy or completeness of the information in this Official Statement, other than the information concerning the Issuer under the caption "THE ISSUER." The other information set forth herein has been obtained from sources believed to be reliable, but is not guaranteed as to accuracy and is not to be construed as a representation of such by the Underwriter or the Issuer. 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. The Issuer has not confirmed, and assumes no responsibility for, the accuracy, completeness, sufficiency or fairness of any statements in this Official Statement or any amendments thereof or supplements thereto, or in any reports, financial information, offering or disclosure documents or other information relating to the Borrower, the Development, or the history, businesses, properties, organization, management, financial condition, market area or any other matter relating to the Borrower or contained otherwise in this Official Statement.

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission (the "Commission") or with any state securities agency. The Bonds have not been approved or disapproved by the Commission or any state securities agency, nor has the Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT TEND TO STABILIZE OR MAINTAIN THE MARKET PRICE FOR THE BONDS ABOVE THE LEVELS THAT WOULD OTHERWISE PREVAIL. SUCH ACTIVITIES, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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**\$14,500,000**  
**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**  
**MULTIFAMILY HOUSING REVENUE BONDS**  
**(THE WATERS AT WILLOW RUN APARTMENTS)**  
**SERIES 2013**

**INTRODUCTION**

This Official Statement sets forth certain information concerning the issuance and sale by the Texas Department of Housing and Community Affairs (the “Issuer”), a public body and official agency of the State of Texas (the “State”), of \$14,500,000 aggregate principal amount of Multifamily Housing Revenue Bonds (The Waters at Willow Run Apartments) Series 2013 (the “Bonds”). The Bonds will be issued pursuant to Chapter 2306, Texas Government Code, as amended (the “Act”), and a resolution of the Governing Board of the Issuer adopted April 11, 2013 (the “Bond Resolution”), and secured by a Trust Indenture, dated as of September 1, 2013 (the “Indenture”), between the Issuer and Wilmington Trust, National Association, as trustee (in such capacity, the “Trustee”). The Bonds are being issued to make a loan (the “Loan”) to The Waters at Willow Run, LP, a Texas limited partnership (the “Borrower”), for the acquisition, construction and equipping of an approximately 242-unit multifamily rental housing development located in Austin, Texas (the “Development”). The terms of the financing are to be as set forth in the Loan Agreement, dated as of September 1, 2013, between the Issuer and the Borrower (the “Loan Agreement”). The obligation of the Borrower to repay the Loan pursuant to the Loan Agreement will be evidenced by a promissory note (the “Note”).

Under the terms of the Indenture, on the date of delivery an amount equal to the proceeds of the Bonds is to be deposited in the Project Fund and the Bond Fund established under the Indenture, and invested in Eligible Investments, as defined in the Indenture. See “THE INDENTURE—Investment of Funds” herein.

The principal of and interest on the Bonds (the “Bond Service Charges”) are payable from the security pledged under the Indenture, including the payments on the investment of funds under the Indenture. Under the Indenture, the Trustee is to invest amounts held under the Indenture in Eligible Investments (as defined below).

Simultaneously with the issuance of the Bonds, the Borrower, the Issuer, the Trustee, and Centerline Mortgage Capital, Inc., a Delaware corporation (the “Lender”), will enter into a Loan Disbursement Procedures Agreement, dated as of September 1, 2013 (the “Disbursement Agreement”), pursuant to which the Lender will agree to transfer certain funds to the Trustee for deposit in the Collateral Fund held by the Trustee under the Indenture. Prior to the disbursement of amounts drawn from the Project Fund to pay costs of the Development, a like amount of funds from the Lender must be deposited to the Collateral Fund. See “THE MORTGAGE LOAN, COLLATERAL PAYMENTS AND DISBURSEMENT OF BOND PROCEEDS” herein.

The Borrower’s operation of the Development will be subject to the terms of a Regulatory and Land Use Restriction Agreement, dated as of September 1, 2013 (the “Regulatory Agreement”), among the Borrower, the Trustee and the Issuer, which contains covenants required to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes. The Regulatory Agreement will require that for the State Restrictive Period (as defined therein), 100% of the dwelling units in the Development (except for dwelling units reserved for a resident manager, security personnel and maintenance personnel) are reserved for tenants whose combined Annual Income (as defined therein) does not exceed 60% of the Multifamily Tax Subsidy Program Income Limit (as defined therein), which is adjusted for family size.

The Bonds will bear interest on the outstanding principal amount thereof at a rate equal to 0.35% per annum from their date of delivery, to but not including, October 1, 2014 (the “Initial Mandatory Tender Date”), payable on each April 1 and October 1, commencing April 1, 2014 (each a “Payment Date”).

The Bonds are subject to mandatory tender for purchase or mandatory redemption on the Initial Mandatory Tender Date. In the event the conditions to remarketing set forth in the Indenture are not met, or if all or a portion of the Bonds cannot be remarketed, all of the Bonds will be subject to mandatory redemption on the Initial Mandatory Tender Date. All Bondholders must tender their Bonds for purchase on the Initial Mandatory Tender Date. A new interest rate for the Bonds may be determined on the Initial Mandatory Tender Date in accordance with the terms of the Indenture. If the Bonds are remarketed on the Initial Mandatory Tender Date, the terms of the Bonds after such date may differ materially from the description provided in this Official Statement. Therefore, prospective purchasers of the Bonds on and after the Initial Mandatory Tender Date cannot rely on this Official Statement, but rather must rely upon any disclosure documents prepared in connection with such remarketing.

Brief descriptions of the Issuer, the Bonds, the security for the Bonds, the Borrower, the Development, the Indenture, the Disbursement Agreement and the Loan Agreement are included in this Official Statement. All references herein to the Indenture, the Loan 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.

#### **THE MORTGAGE LOAN, COLLATERAL PAYMENTS AND DISBURSEMENT OF BOND PROCEEDS**

Simultaneously with the issuance of the Bonds, the Borrower will obtain a mortgage loan (the “Mortgage Loan”) from the Lender, which Mortgage Loan will be insured by the Secretary of Housing and Urban Development acting by and through the Federal Housing Administration (“FHA”) under Section 221(d)(4) of the National Housing Act, as amended, and the regulations promulgated thereunder. Over time, as each disbursement of Mortgage Loan proceeds is approved by FHA, the Lender is to deposit funds constituting Mortgage Loan proceeds or other funds of the Lender in an amount equal to all or a portion of such disbursement into the Collateral Fund (the “Collateral Payments”) as security for the Bonds in exchange for a like amount of Bond proceeds from the Project Fund, which is to be disbursed by the Trustee to the Lender for purposes of paying costs of the Development, all in accordance with the Loan Agreement, the Disbursement Agreement and the Indenture. The maximum aggregate amount of funds to be deposited as Collateral Payments over time will be \$14,500,000.

Bond Service Charges will be payable as they become due, in the following order: (i) from money on deposit in the the Negative Arbitrage Account of the Bond Fund (but only to pay the interest portion of any Bond Service Charges), (ii) from money on deposit in the Bond Fund (other than the Negative Arbitrage Account), (iii) from money on deposit in the Collateral Fund and transferred as necessary to the Bond Fund, (iv) from money on deposit in the Project Fund and transferred as necessary to the Bond Fund and (v) from money on deposit in the the Negative Arbitrage Account to the Bond Fund (to pay all Bond Service Charges).

Notwithstanding any provision of the Loan Agreement, the Disbursement Agreement or the Indenture to the contrary, the Trustee will not disburse funds from the Project Fund, other than to pay Bond Service Charges on the Bonds, unless and until (i) an amount equal to or greater than the requested disbursement amount has been deposited in the Collateral Fund in accordance with the provisions of the Indenture and (ii) the Trustee has determined that the sum of the amount then held in the Collateral Fund and the amount then on deposit in the Project Fund, less the anticipated amount of the disbursement from the Project Fund, is at least equal to the then outstanding principal amount of the Bonds. Upon receipt of

a Collateral Payment, subject to the foregoing provisions, Trustee may disburse Bond proceeds to or at the direction of the Lender for use by the Borrower to pay costs of the Development, in accordance with the terms of the Loan Agreement.

The amounts on deposit in the Project Fund, the Bond Fund and the Collateral Fund will be invested on the date of delivery of the Bonds in Eligible Investments. See “THE INDENTURE—Investment of Funds.” An amount equal to the aggregate interest payments on the Bonds from the date of delivery of the Bonds to the Initial Mandatory Tender Date is required, pursuant to the Indenture, to be deposited on the date of delivery of the Bonds to the Negative Arbitrage Account of the Bond Fund by or on behalf of the Borrower.

## **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 periodic review process that resulted in passage of legislation in the 2013 Texas legislative session which continues the Issuer in existence until September 1, 2025, 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 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, neither of which is required to be a Board member) to perform the duties prescribed by the Board.

One seat on the Board is currently vacant. The current members of the Board, their occupations and their terms of office are as follows:

J. PAUL OXER, PE, Chair and Board Member. Managing Director, McDaniel, Hunter & Prince, Inc., Sugar Land, Texas. His term expires on January 31, 2017.

DR. JUAN SANCHEZ MUÑOZ, Vice Chair and Board Member. Associate Professor of Education, Vice Provost for Undergraduate Education & Student Affairs and Vice President for Institutional Diversity, Equity & Community Engagement, Texas Tech University, Lubbock, Texas. His term expires January 31, 2017.

LESLIE BINGHAM ESCAREÑO, Board Member. Chief Executive Officer, Valley Baptist Medical Center-Brownsville. Her term expires January 31, 2019.

TOM H. GANN, Board Member. President, Gann Medford Real Estate Inc., Lufkin, Texas. His term expires January 31, 2015.

ROBERT D. THOMAS, Board Member. Attorney at Law, Austin, Texas. His term expires January 31, 2019.

J. MARK McWATTERS, Board Member. Director of Graduate Programs, Southern Methodist University Dedman School of Law, Dallas, Texas. His term expires January 31, 2015.

All of the above Board members have been appointed by the Governor and confirmed by the State Senate. Texas law requires that confirmations of any such appointment be considered at the next legislative session, whether regular or special. 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.

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 316 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 bond matters:

TIMOTHY IRVINE, Executive Director. Mr. Irvine joined the Issuer in January 2009, as Chief of Staff. On September 16, 2011, the Issuer selected Mr. Irvine to serve as Executive Director. He has responsibility for the oversight of all of the Issuer's activities. His previous experience includes serving as general counsel for several large financial institutions, general counsel of the Texas Savings and Mortgage Lending Department, Executive Director of the Issuer's Manufactured Housing Division, Administrator at the Texas Real Estate Commission, and Commissioner of the Texas Appraiser Licensing and Certification Board. He obtained his B.A. from Claremont McKenna College, and M.A. from Claremont Graduate University, and a J.D. from Willamette University. He has also practiced as a partner in a major law firm.

TOM GOURIS, Deputy Executive Director for Asset Analysis and Management. Mr. Gouris joined the Issuer in 1997 as a manager in the Real Estate Analysis Division and has previously served as the Director of Real Estate Analysis and the Deputy Executive Director of Housing Programs. As the Deputy Executive Director for Asset Analysis and Management, Mr. Gouris is responsible for the oversight of development performance for all of the Issuer's multifamily properties. Mr. Gouris was previously a lending re-engineering consultant with Alex Sheshunoff Management Services, Inc. and a real estate workout manager with Bank One in Texas. Mr. Gouris received his Masters of Business Administration from the University of Texas at Austin and his undergraduate degree in Economics from the University of Wisconsin - Madison.

CAMERON DORSEY, Director of Multifamily Housing Program. Mr. Dorsey joined the Issuer in May 2006. Mr. Dorsey 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. Mr. Dorsey received his Master of Arts in Latin American Studies from the University of Arizona and his undergraduate degree in Economics and Finance from Southwestern University.

TIMOTHY EARL NELSON, Director of Bond Finance. Mr. Nelson joined the Issuer in December, 2009. He is responsible for the development and administration of the Department's Single Family Mortgage Revenue Bond Program. Mr. Nelson also oversees ongoing compliance monitoring and disclosure requirements relating to the Department's investments and single family and multifamily bond programs. Mr. Nelson earned a Bachelor of Business Administration degree in Finance with a minor in marketing from the University of Washington in Seattle, Washington and a Master of Business Administration degree in International Finance from the George Washington University in Washington, D.C. Prior to employment with the Department, Mr. Nelson was a single-family housing investment banker for RBC Capital Markets in Phoenix, Arizona.

PATRICIA MURPHY, Chief of Compliance. Ms. Murphy joined the Issuer in 1995 as a Compliance Monitor. 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.

BARBARA DEANE, General Counsel. Barbara Deane joined the Issuer in January 2012 as its General Counsel and is responsible for coordination of all internal and external legal counsel for the Issuer. She has been Board Certified in Administrative Law since 1995 by the Texas Board of Legal Specialization. Before joining the Issuer, Ms. Deane served as Chief of the Environmental Protection and Administrative Law Division at the Office of the Attorney General. She has also served as Director of Coastal Law at the Texas General Land Office, and as Deputy General Counsel for Enforcement and Administrative Law Judge at the Texas Department of Agriculture. Ms. Deane is a graduate of the Reynaldo G. Garza School of Law and holds a Bachelor of Fine Arts degree from Texas Tech University.

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 or toll-free 800/525-0657.

THE BONDS, TOGETHER WITH INTEREST THEREON, ARE SPECIAL AND LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY 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 April 30, 2013, there have been issued by the Agency or the Issuer thirty-six series of Residential Mortgage Revenue Bonds, two series of GNMA Collateralized Home Mortgage Revenue Bonds, fifty-one series of Single Family Mortgage Revenue Bonds, four series of Junior Lien Single Family Mortgage Revenue Bonds, eleven series of Collateralized Home Mortgage Revenue Bonds, and ten series of Single Family Mortgage Revenue Bonds (Collateralized Home Mortgage Revenue Bonds). As of April 30, 2013, the aggregate outstanding principal amount of bonded indebtedness of the Issuer for single family purposes was \$951,265,000.

Multifamily Housing Revenue Bonds. The Issuer and the Agency, through April 30, 2013, have issued two-hundred thirteen 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 April 30, 2013, one-hundred sixteen series of multifamily housing revenue bonds were outstanding in an aggregate outstanding principal amount of \$1,023,574,249.

#### **THE BONDS**

The Bonds are available in book-entry only form. See "BOOK-ENTRY ONLY SYSTEM" below. So long as Cede & Co., as nominee of The Depository Trust Company, is the registered owner of the Bonds, references herein to the Bondholders or holders or registered owner or owners of the Bonds mean Cede & Co. and not the beneficial owners of the Bonds.

#### **General**

The Bonds are issuable in the denomination of \$5,000 principal amount or any greater integral multiple thereof. The Bonds will be dated as of the date of delivery (September 24, 2013), will initially bear interest at the rate set forth on the cover page hereof and will mature on October 1, 2016, subject to mandatory tender for purchase or mandatory redemption on October 1, 2014 (the "Initial Mandatory Tender Date"). Interest will be payable on each April 1 and October 1, commencing April 1, 2014 (each,



a “Payment Date”) in accordance with the provisions of the Indenture. Interest will be calculated and be due on the basis of a 360-day year consisting of twelve 30-day months. Principal of and interest on the Bonds will be payable by the Trustee to Cede & Co. as nominee of DTC. See “BOOK-ENTRY ONLY SYSTEM” below.

### **Special Obligations**

NOTWITHSTANDING ANYTHING 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 SHALL ENTAIL THE EXPENDITURE OF MONEY SHALL NOT BE A GENERAL OBLIGATION OF THE ISSUER BUT SHALL BE A SPECIAL LIMITED OBLIGATION PAYABLE SOLELY FROM THE TRUST ESTATE ESTABLISHED UNDER THE INDENTURE. THE BONDS SHALL CONSTITUTE A VALID CLAIM OF THE RESPECTIVE HOLDERS THEREOF AGAINST THE TRUST ESTATE, WHICH IS PLEDGED TO SECURE THE PAYMENT OF THE BOND SERVICE CHARGES AND WHICH SHALL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THE INDENTURE. THE BONDS, TOGETHER WITH INTEREST THEREON, SHALL 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 HOLDERS THEREOF AGAINST ONLY, THE TRUST ESTATE. THE BOND SERVICE CHARGES SHALL NOT BE DEEMED TO CONSTITUTE DEBT OF THE ISSUER (EXCEPT TO THE EXTENT OF THE TRUST ESTATE). THE BONDS ARE NOT AND DO NOT CREATE OR CONSTITUTE IN ANY WAY AN OBLIGATION, A DEBT OR A LIABILITY OF THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION THEREOF OR CREATE OR CONSTITUTE A PLEDGE, GIVING OR LENDING OF THE FAITH OR CREDIT OR TAXING POWER OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF. THE ISSUER HAS NO TAXING POWER.

### **Optional Redemption**

The Bonds are subject to optional redemption as a whole, or in part, prior to the Initial Mandatory Tender Date at any time on or after April 1, 2014, at a redemption price equal to the principal amount of the Bonds, plus accrued interest to the redemption date.

### **Notice of Optional Redemption**

Except for the notice of mandatory redemption conditioned upon certain events to be given as described herein under “Notice of Mandatory Tender or Mandatory Redemption on the Initial Mandatory Tender Date,” notices of redemption are to be given as described herein. At least 30 days prior to the date fixed for redemption, the Trustee is to send official notice of redemption by first class mail, postage prepaid, to the Holder of each Bond to be redeemed, at the address of such Holder shown on the register at the opening of business on the fifth day prior to such mailing. A second notice of redemption is to be given, as soon as practicable, by first class mail to the Holder of each Bond that has been so called for redemption but has not been presented and surrendered to the Trustee within 30 days following the date fixed for redemption. So long as DTC is the registered owner of the Bonds, notice of any redemption with respect to Bonds will be given only to DTC or its nominee. Any failure of DTC to notify the Beneficial Owners of any such notice and its contents or effect will not affect the validity of such notice of any proceedings for the redemption of such Bonds. Failure to receive notice by mailing, or any defect in that notice regarding any Bond, shall not affect the validity of the proceedings for the redemption of any other Bond.

## **Partial Redemption**

If less than all the Bonds are to be redeemed at the option of the Borrower, the particular Bonds to be redeemed are to be selected by the Trustee by lot or by such other method as the Trustee shall deem fair and appropriate and that may provide for the selection for redemption of portions of the principal of Bonds equal to an Authorized Denomination.

## **Mandatory Tender or Mandatory Redemption on the Initial Mandatory Tender Date**

All Outstanding Bonds will be subject to mandatory tender by the Holders for purchase on each Mandatory Tender Date (including the Initial Mandatory Tender Date). Holders of Bonds subject to mandatory tender for purchase are to tender such Bonds to the Trustee by 11:00 a.m., Local Time, on each Mandatory Tender Date.

The Bonds are subject to mandatory redemption, as a whole, at a redemption price equal to the principal amount thereof, plus accrued interest, on the Initial Mandatory Tender Date, as described below, if (i) the Borrower elects not to remarket the Bonds on the Initial Mandatory Tender Date, (ii) the conditions precedent to the remarketing of the Bonds on the Initial Mandatory Tender Date are not met or (iii) proceeds of the remarketing are insufficient to pay the principal amount of, plus accrued interest on, all of the Outstanding Bonds on the Initial Mandatory Tender Date, or (iv) the interest rate to be borne by the Bonds after the remarketing would exceed the lesser of (a) 12% per annum or (b) the maximum interest rate per annum permitted by applicable State law.

The purchase price or redemption price, as applicable, for each such Bond shall be payable in lawful money of the United States of America by check or draft, shall equal the principal amount to be purchased and accrued interest, and shall be paid in full on the applicable Mandatory Tender Date.

## **Notice of Mandatory Tender or Mandatory Redemption on the Initial Mandatory Tender Date**

Notice of Mandatory Tender or Mandatory Redemption. Not fewer than 30 days preceding a Mandatory Tender Date, the Trustee is to give written notice of mandatory tender or mandatory redemption to the Holders of the Bonds then outstanding by first class mail, postage prepaid, stating:

(i) the Mandatory Tender Date and that (a) if certain conditions are met, all outstanding Bonds are subject to mandatory tender for purchase on the Mandatory Tender Date, (b) all outstanding Bonds must be tendered for purchase no later than 11:00 a.m. Local Time (as defined below) on the Mandatory Tender Date and (c) Holders will not have the right to elect to retain their Bonds;

(ii) that if, in the event that the conditions to remarketing set forth in the Indenture are not met by the respective dates set forth therein, or, if proceeds from the remarketing are insufficient to pay the principal amount of, plus accrued interest on, the Bonds on the Mandatory Tender Date, all of the Bonds will be mandatorily redeemed on the Mandatory Tender Date;

(iii) the address of the designated office of the Trustee at which Holders should deliver their Bonds for purchase or redemption, as applicable, and the date of the required delivery;

(iv) that all outstanding Bonds will be purchased or redeemed, as applicable, on the Mandatory Tender Date at a price equal to the principal amount of the outstanding Bonds plus interest accrued to the Mandatory Tender Date; and

(v) any Bonds not tendered will nevertheless be deemed to have been tendered and will cease to bear interest from and after the Mandatory Tender Date.

“Local Time” means central time (daylight or standard, as applicable) in Austin, Texas.

In the event that any Bond required to be delivered to the Trustee for payment of the purchase price or redemption price, as applicable, of such Bond shall not have been delivered to the Trustee within 30 days following a Mandatory Tender Date, the Trustee is to mail a second notice to the Holder of the Bond setting forth the requirements set forth in the Indenture for delivery of the Bond to the Trustee and stating that delivery of the Bond to the Trustee (or compliance with the provisions of the Indenture concerning payment of lost, stolen or destroyed Bonds) must be accomplished as a condition to payment of the purchase price or redemption price applicable to the Bond.

Notice of Mandatory Redemption. In the event the Borrower elects not to remarket the Bonds on the Initial Mandatory Tender Date, or the preliminary conditions to remarketing set forth in the Indenture are not met by the 45<sup>th</sup> day prior to the Initial Mandatory Tender Date, notice of mandatory redemption on the Initial Mandatory Tender Date is to be given as described in this paragraph. At least 30 days prior to the date fixed for redemption, the Trustee is to send an official notice of redemption by first class mail, postage prepaid, to the Holder of each Bond to be redeemed, at the address of such Holder shown on the Register at the opening of business on the fifth day prior to such mailing. A second notice of redemption is to be given, as soon as practicable, by first class mail to the Holder of each Bond that has been so called for redemption but has not been presented and surrendered to the Trustee within 30 days following the date fixed for redemption. So long as DTC is the registered owner of the Bonds, notice of any redemption with respect to Bonds is to be given only to DTC or its nominee. Any failure of DTC to notify the Beneficial Owners of any such notice and its contents or effect will not affect the validity of such notice of any proceedings for the redemption of such Bonds. Failure to receive notice by mailing, or any defect in that notice regarding any Bond, will not affect the validity of the proceedings for the redemption of any other Bond.

### **Bonds Deemed Tendered**

Bonds will be deemed to have been tendered whether or not the Holders shall have delivered such Undelivered Bonds to the Trustee, and subject to the right of the Holders of such Undelivered Bonds to receive the purchase price (or redemption price, as applicable) of such Bonds to the Mandatory Tender Date, such Undelivered Bonds will be null and void. If such Undelivered Bonds are to be remarketed, the Trustee will authenticate and deliver new Bonds in replacement thereof pursuant to the remarketing of such Undelivered Bonds.

“Undelivered Bond” means any Bond that is required under the Indenture to be delivered to the Remarketing Agent or the Trustee for purchase or redemption on a Mandatory Tender Date or redemption date but that has not been received on the date such Bond is required to be delivered.

### **Purchase or Mandatory Redemption of Bonds**

The Trustee is to use amounts representing proceeds of remarketed Bonds deposited in the Remarketing Proceeds Account established under the Indenture to pay the principal amount, plus accrued interest, of Bonds tendered for purchase not later than 1:30 p.m. Local Time on the Mandatory Tender Date. If proceeds of remarketed Bonds are not sufficient to purchase all of the Bonds at the required time or if the conditions to remarketing have not been met as required by the Indenture, the remarketing is to be cancelled and the following sources of payment are to be used to redeem all outstanding Bonds on the Mandatory Tender Date in the following order of priority: (i) amounts on deposit in the Collateral Fund, (ii) amounts on deposit in the Negative Arbitrage Account of the Bond Fund only to pay the accrued

interest, if any, on the Bonds, (iii) amounts on deposit in the Project Fund and (iv) any other Eligible Funds available or made available for such purpose at the direction of the Borrower.

“Eligible Funds” means, as of any date of determination, any of:

- (a) the proceeds of the Bonds;
- (b) money received by the Trustee from the Lender as Collateral Payments (as defined in the Indenture);
- (c) remarketing proceeds received from the Remarketing Agent or any purchaser of Bonds (other than funds provided by the Borrower, the Issuer, and any affiliate of either the Borrower or the Issuer);
- (d) any other amounts, including the proceeds of refunding bonds, for which, in each case, (i) the Trustee has received an Opinion of Counsel (which opinion may assume that no Holder or Beneficial Owner of Bonds is an “insider” within the meaning of the Bankruptcy Code) to the effect that (A) the use of such amounts to make payments on the Bonds would not violate Section 362(a) of the Bankruptcy Code or that relief from the automatic stay provisions of such Section 362(a) would be available from the bankruptcy court and (B) payments of such amounts to Holders would not be avoidable as preferential payments under Section 547 or 550 of the Bankruptcy Code should the Issuer or the Borrower become a debtor in proceedings commenced under the Bankruptcy Code and (ii) the Trustee has received written confirmation from the Rating Agency that the use of such money would not result in a reduction or withdrawal of the then existing rating on the Bonds;
- (e) the proceeds of draws by the Trustee on any letter of credit provided to the Trustee for the benefit of the Borrower;
- (f) any payments made by the Borrower and held by the Trustee for a continuous period of 123 days, provided that no Act of Bankruptcy has occurred during such period; and
- (g) investment income derived from the investment of the money described in (a) through (f).

#### **No Additional Parity Bonds**

The Indenture does not permit the Issuer to issue additional indebtedness prior to or on a parity with the Bonds.

#### **BOOK-ENTRY ONLY SYSTEM**

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 securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or its agent.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money

market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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 the 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 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 Trustee and request that copies of the notices be provided directly to them.

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

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

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

Redemption proceeds, distributions and dividends ("debt charges 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 Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions or dividends ("debt charges") 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.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The Issuer 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 above in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer and the Underwriter take no responsibility for the accuracy thereof. The Issuer has no role in the purchases, transfers or sales of book entry interests. The rights of Beneficial Owners to transfer or pledge their interests, and the manner of transferring or pledging those interests, may be subject to applicable state law. Beneficial Owners may want to discuss with their legal advisers the manner of transferring or pledging their book-entry interests. The Issuer has no responsibility or liability for any aspects of the records or notices relating to, or payments made on account of, beneficial ownership, or for maintaining, supervising or reviewing any records relating to that ownership. The Issuer cannot and does not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute to the Beneficial Owners payments of debt charges on the Bonds made to DTC as the registered owner, or any redemption, if any, or other notices, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve or act in a manner described in this Official Statement.

***Direct Participants and Indirect Participants may impose service charges on Beneficial Owners in certain cases. Purchasers of book-entry interests should discuss that possibility with their brokers.***

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

The Bonds will be secured under the Indenture by all right, title and interest of the Issuer in and to (i) the Revenues, as defined below, including, without limitation, Loan Payments, as defined below, Collateral Payments and other amounts receivable by or on behalf of the Issuer under the Loan Agreement in respect of repayment of the Loan, (ii) the Special Funds, as defined below, including all accounts in those Funds and all money and securities deposited therein and (except for money required to be rebated to the United States of America under the Code) the investment earnings on such money and the proceeds derived therefrom, (iii) the proceeds derived from the sale of the Bonds (subject to the provisions of the Bond Resolution), (iv) the Loan Agreement, including all amendments, extensions and

renewals of the terms thereof, if any, (v) the Note, including all amendments, extensions and renewals of the terms thereof, if any, (vi) the Bond Mortgage (as defined herein), including all amendments, extensions and renewals of the terms thereof, if any, and (vii) any and all other real or personal property of every name and nature from time to time hereafter pledged, assigned or transferred, as and for additional security under the Indenture by the Issuer or by anyone on its behalf, or with its written consent, to the Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture, except for the Reserved Rights (as defined below) of the Issuer. Such assets are referred to herein as the “Trust Estate.”

“Loan Payments” means the amounts required to be paid by the Borrower in repayment of the Loan pursuant to the provisions of the Loan Agreement, the Note and the Bond Mortgage.

“Reserved Rights” of the Issuer means (a) all of the Issuer’s right, title and interest in and to all reimbursement, costs, expenses and indemnification; (b) the right of the Issuer to amounts payable to it pursuant to the Loan Agreement, including the Issuer’s Fees; (c) all rights of the Issuer to receive any Rebate Amount (as defined in the Indenture); (d) all rights of the Issuer to receive notices, reports or other information, and to make determinations and grant approvals or consent under the Indenture and under the other financing documents; (e) 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; (f) any and all rights, remedies and limitations of liability of the Issuer set forth in the Indenture, the Loan Agreement, the Regulatory Agreement, the Bond Mortgage or the Note, as applicable, regarding (1) the negotiability, registration and transfer of the Bonds, (2) the loss or destruction of the Bonds, (3) the limited liability of the Issuer as provided in the Act, the Indenture, the Loan Agreement, the Regulatory Agreement, the Bond Mortgage or the Note, (4) the maintenance of insurance by the Borrower, (5) no liability of the Issuer to third parties, and (6) no warranties of suitability or merchantability by the Issuer; (g) all rights of the Issuer in connection with any amendment to or modification of the Indenture, the Loan Agreement, the Regulatory Agreement, the Bond Mortgage and the Note (but, as to the Bond Mortgage, only to the extent of the Issuer’s Unassigned Rights, as defined therein); (h) 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 Loan Agreement, and the Issuer’s right to inspect and audit the books, records and permits of the Borrower and the Development; and (i) any and all rights under the Loan Agreement and the Regulatory Agreement required for the Issuer to enforce or to comply with Section 2306.186 of the Texas Government Code.

“Revenues” means (a) the Loan Payments, (b) the Collateral Payments, (c) all other money received or to be received by the Trustee in respect of repayment of the Loan, including without limitation, all money and investments in the Bond Fund, (d) any money and investments in the Project Fund and the Collateral Fund, and (e) all income and profit from the investment of the foregoing money. The term “Revenues” does not include any money or investments in the Rebate Fund.

“Special Funds” means, collectively, the Bond Fund, the Project Fund and the Collateral Fund, and any accounts therein, all as created in the Indenture.

Amounts deposited in the Special Funds are to be invested in Eligible Investments (as defined herein). See “THE INDENTURE—Investment of Funds” herein.

NOTWITHSTANDING ANYTHING 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 SHALL ENTAIL THE EXPENDITURE OF MONEY SHALL NOT BE A GENERAL OBLIGATION OF THE ISSUER BUT SHALL BE A LIMITED OBLIGATION PAYABLE SOLELY FROM THE TRUST ESTATE

ESTABLISHED UNDER THE INDENTURE. THE BONDS SHALL CONSTITUTE A VALID CLAIM OF THE RESPECTIVE HOLDERS THEREOF AGAINST THE TRUST ESTATE, WHICH IS PLEDGED TO SECURE THE PAYMENT OF THE BOND SERVICE CHARGES AND WHICH SHALL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THE INDENTURE. THE BONDS, TOGETHER WITH INTEREST THEREON, SHALL 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 HOLDERS THEREOF AGAINST ONLY, THE TRUST ESTATE. THE BOND SERVICE CHARGES SHALL NOT BE DEEMED TO CONSTITUTE DEBT OF THE ISSUER (EXCEPT TO THE EXTENT OF THE TRUST ESTATE). THE BONDS ARE NOT AND DO NOT CREATE OR CONSTITUTE IN ANY WAY AN OBLIGATION, A DEBT OR A LIABILITY OF THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION THEREOF OR CREATE OR CONSTITUTE A PLEDGE, GIVING OR LENDING OF THE FAITH OR CREDIT OR TAXING POWER OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF. THE ISSUER HAS NO TAXING POWER.

### **THE DEVELOPMENT**

The Development, to be known as The Waters at Willow Run Apartments, will consist of approximately 242 residential rental units located in Austin, Texas.

Although the Borrower will deliver a Multifamily Deed of Trust, Security Agreement and Fixture Filing, dated as of September 1, 2013 (the "Bond Mortgage"), for the benefit of the Issuer and the Trustee, in order to comply with the requirements of the Act, the Bond Mortgage is subordinate to the Mortgage Loan and the Trustee will have little or no practical means to realize any proceeds by foreclosing on the Bond Mortgage in the event of a default on the Bonds. Accordingly, prospective owners of the Bonds should not look at the value of the Development, but solely to the other security for the Bonds in making an investment decision with respect to the Bonds.

### **THE BORROWER**

The Borrower will be The Waters at Willow Run, LP, a Texas limited partnership. The Borrower's general partner is AHF-Waters at Willow Run, LLC, a Texas limited liability company, whose sole member is Atlantic Housing Foundation, Inc., a South Carolina non-profit corporation.

The Borrower does not intend to acquire any substantial assets or engage in any substantial business activities other than those related to the ownership of the Development. However, the Borrower's partners and affiliates may engage in the acquisition, development, ownership and management of similar types of housing projects.

Neither the Borrower nor its partners or affiliates will be personally liable to pay the principal of and interest on the Bonds. Furthermore, no representation is made that the Borrower will have substantial funds available for the Development. Accordingly, neither the Borrower's financial statements nor those of its affiliates or partners are included in this Official Statement.

### **THE TRUSTEE**

Wilmington Trust, National Association, will serve as Trustee under the Indenture. The Trustee is a national banking association organized under the laws of the United States of America.

THE TRUSTEE HAS NOT PARTICIPATED IN THE PREPARATION OF THIS OFFICIAL STATEMENT AND ASSUMES NO RESPONSIBILITY FOR THE ACCURACY OR



COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT OR THE RELATED TRANSACTIONS AND DOCUMENTS OR FOR ANY FAILURE BY ANY PARTY TO DISCLOSE EVENTS THAT MAY HAVE OCCURRED AND MAY AFFECT THE SIGNIFICANCE OR ACCURACY OF SUCH INFORMATION.

**ESTIMATED SOURCES AND USES OF FUNDS**

The following table sets forth the estimated sources and uses of certain funds to be available upon the issuance and delivery of the Bonds:

<u>Sources of Funds</u>	
Principal Amount of Bonds	\$14,500,000.00
Underwriter’s Advance	61,736.81
Borrower’s Contribution	<u>724,914.25</u>
Total Sources	<u>\$15,286,651.06</u>
<u>Uses of Funds</u>	
Deposit to Project Fund	\$14,500,000.00
Deposit to Negative Arbitrage Account of Bond Fund	56,736.81
Deposit to Expense Fund	5,000.00
Pay Cost of Issuance	<u>724,914.25</u>
Total Uses	<u>\$15,286,651.06</u>

**Tax Credit Equity**

In addition to the proceeds of the Bonds and the Mortgage Loan, the Development will be financed with tax credit equity, which will pay for the costs of issuance of the Bonds and a portion of the other costs, including construction costs. CREA WAWR, LLC, a Delaware limited liability company, and CREA SLP, LLC, an Indiana limited liability company (collectively, the “Investor Limited Partner”), will own a 99.99% interest in the Borrower. In connection with this interest, the tax credit equity is expected to be approximately \$6,840,190, which is expected to be funded pursuant to the terms of Borrower’s organizational documents.

**CERTAIN BONDHOLDERS’ RISKS**

*The purchase of the Bonds will involve a number of risks. The following is a summary, which does not purport to be comprehensive or definitive, of some of such risk factors.*

**Limited Security; Investment of Funds**

The Bonds are special limited obligations of the Issuer payable solely from the Trust Estate, which includes certain funds pledged to and held by the Trustee pursuant to the Indenture.

The Bonds are offered solely on the basis of the amounts held under the Indenture and are not offered on the basis of the credit of the Borrower, the feasibility of the Development or any other security. As a consequence, limited information about the Development and no information about the financial condition or results of operations of the Borrower is included in this Official Statement. The Bonds are offered only to investors who, in making their investment decision, rely solely on the amounts held under the Indenture and not on the credit of the Borrower, the feasibility of the Development or any other security.

The principal of and interest on the Bonds are payable from and secured by certain revenues and funds pledged thereto under the Indenture. On the date of delivery of the Bonds, an amount equal to the principal amount of the Bonds is to be deposited in the Project Fund, and an amount equal to the aggregate interest payments on the Bonds from the date of delivery to the Initial Mandatory Tender Date is to be deposited in the Negative Arbitrage Account. Such amounts are to be invested in Eligible Investments pursuant to the Indenture.

The Trustee is required to invest amounts held in the Special Funds in Eligible Investments, as defined in the Indenture. See “THE INDENTURE—Investment of Funds.” Debt Service on the Bonds has been scheduled assuming that the amounts held in the Special Funds earn no interest prior to the Initial Mandatory Tender Date. Failure to receive a return of the amounts so invested could affect the ability to pay the principal of and interest on the Bonds.

### **Taxability**

The Bonds would not be subject to redemption, and the rate of interest on the Bonds would not be subject to adjustment, if the interest on the Bonds were to become included in gross income for purposes of federal income taxation. Such event could occur if the Borrower (or any subsequent owner of the Development) does not comply with the provisions of the Regulatory Agreement and the Loan Agreement that 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.

### **Substantial Limitations on Bond Mortgage**

Although the Borrower will deliver the Bond Mortgage to the Issuer (to be assigned to the Trustee) in order to comply with the requirements of the Act, the Bond Mortgage is subordinate to the Mortgage Loan and the Trustee will have little or no practical means to realize any proceeds by foreclosing on the Bond Mortgage in the event of a default on the Bonds. Accordingly, prospective owners of the Bonds should not look at the value of the Development, but solely to the other security for the Bonds in making an investment decision with respect to the Bonds.

### **Enforceability of Remedies**

The remedies available to the Trustee and the owners of the Bonds upon an event of default under the Loan Agreement or the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under the Loan Agreement or the Indenture may not be readily available, and the Borrower will have no personal liability for the satisfaction of any obligation of the Borrower under such agreements or of any claim against the Borrower arising out of such agreements or the Indenture.

If a default in the payment of the Loan occurs and is continuing, the Issuer has agreed with the Borrower and the Lender not to commence foreclosure proceedings with respect to the Development or exercise any other rights or remedies it may have under the Note or the Loan Agreement, including, but not limited to, accelerating the Loan, without the Lender’s prior written consent.

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 and the documents described above is subject to limitations imposed by such things as the exercise of judicial discretion in accordance with general principles of equity (whether applied by a court of law or a court of equity), including judicial limitations on rights to specific performance and bankruptcy, insolvency,

reorganization, moratorium or other similar laws heretofore or hereafter in effect affecting creditors' rights, to the extent constitutionally applicable.

### **Secondary Markets and Prices**

The Underwriter will not be obligated to repurchase any of the Bonds, and no representation is made concerning the existence of any secondary market for the Bonds. No assurance can be given that any secondary market will develop following the completion of the offering of the Bonds contemplated by this Official Statement, and no assurance can be given that the Bonds can be resold at their initial offering prices for any period of time.

### **THE INDENTURE**

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

### **Establishment of Funds**

The following funds are to be established and maintained by the Trustee under the Indenture:

the Bond Fund (including the Negative Arbitrage Account and the Remarketing Proceeds Account therein);  
the Project Fund;  
the Costs of Issuance Fund;  
the Collateral Fund;  
the Expense Fund; and  
the Rebate Fund.

Amounts held in the Rebate Fund are not security for the Bonds and therefore are not available to pay the amounts due on the Bonds.

### **Bond Fund**

On the date of delivery of the Bonds, there is to be deposited in the Negative Arbitrage Account of the Bond Fund an amount equal to or greater than the interest to be paid on the Bonds from the date of delivery to the Initial Mandatory Tender Date.

So long as there are any Outstanding Bonds, to the extent the Borrower has not received a credit against Loan Payments due on any Payment Date, all Loan Payments under the Loan Agreement are to be paid on or before each Payment Date directly to the Trustee, and deposited in the Bond Fund, in at least the amount necessary to pay the interest and the principal due on the Bonds on such Payment Date.

The Bond Fund (and accounts therein for which provision is made in the Indenture) and the money and Eligible Investments therein are to be used solely and exclusively for the payment of Bond Service Charges as they become due.

Bond Service Charges will be payable as they become due, in the following order: (i) from money on deposit in the the Negative Arbitrage Account of the Bond Fund (but only to pay the interest portion of any Bond Service Charges), (ii) from money on deposit in the Bond Fund (other than the Negative Arbitrage Account), (iii) from money on deposit in the Collateral Fund and transferred as necessary to the Bond Fund, (iv) from money on deposit in the Project Fund and transferred as necessary

to the Bond Fund and (v) from money on deposit in the the Negative Arbitrage Account to the Bond Fund (to pay all Bond Service Charges).

### **Project Fund**

Money in the Project Fund is to be disbursed in accordance with the provisions of the Indenture, the Disbursement Agreement, and the Loan Agreement, to or at the direction of the Lender, for use by the Borrower to pay costs of the Development. To the extent money is not otherwise available to the Trustee, including money on deposit in the Bond Fund or the Collateral Fund, the Trustee is to transfer from the Project Fund to the Bond Fund sufficient money to pay Bond Service Charges on each Payment Date without further written direction.

Notwithstanding any provision of the Loan Agreement or the Disbursement Agreement or any other provision of the Indenture to the contrary, the Trustee is not to disburse money from the Project Fund, other than to pay Bond Service Charges on the Bonds, unless and until Collateral Payments or other Eligible Funds in an amount equal to or greater than the requested disbursement amount have been deposited in the Collateral Fund. Prior to making any disbursement (except to pay Bond Service Charges), the Trustee shall determine that the aggregate amount that will be held in (a) the Collateral Fund and (b) the Project Fund, after the anticipated disbursement, is at least equal to the Outstanding principal amount of the Bonds.

On the earlier of the Maturity Date and any Mandatory Tender Date with respect to which the Bonds are not remarketed, the Trustee will transfer amounts then on deposit in the Project Fund into the Bond Fund to pay Bond Service Charges on the Bonds.

Upon the occurrence and continuance of an Event of Default under the Indenture because of which the principal amount of the Bonds has been declared to be due and immediately payable, any money remaining in the Project Fund is to be promptly transferred by the Trustee to the Bond Fund.

Any money in the Project Fund remaining after the completion of the Development and payment in full of the costs of the Development shall be promptly paid into the Bond Fund and used to redeem Bonds on the earliest date on which such Bonds are subject to optional redemption.

### **Costs of Issuance Fund**

Amounts on deposit in the Costs of Issuance Fund are to be used by the Trustee to pay costs of issuance as directed by the Borrower and approved by the Investor Limited Partner. Any amounts remaining on deposit in the Costs of Issuance Fund thirty days after the delivery of the Bonds are to be returned to or at the direction of the Borrower.

### **Collateral Fund**

The Trustee is to deposit in the Collateral Fund all Collateral Payments received pursuant to the Disbursement Agreement and the Loan Agreement and any other Eligible Funds received by the Trustee for deposit into the Collateral Fund. The Loan Agreement requires the Borrower to cause the Lender, pursuant to the terms of the Disbursement Agreement, to make Collateral Payments to the Trustee for deposit into the Collateral Fund in a principal amount equal to, and as a prerequisite to the disbursement of, the amount of Bond proceeds on deposit in the Project Fund to be disbursed by the Trustee to pay costs of the Development.

Each portion of Collateral Payments deposited into the Collateral Fund will be promptly invested by the Trustee in Eligible Investments, as directed by the Borrower pursuant to the Indenture. Each

deposit into the Collateral Fund will constitute an irrevocable deposit solely for the benefit of the Holders, subject to the provisions of the Indenture.

The Trustee is to transfer money in the Collateral Fund as follows: (a) on each Payment Date, to the Bond Fund, the amount necessary to pay Bond Service Charges due on such Payment Date (to the extent money is not otherwise available to the Trustee, including money on deposit in the Bond Fund); (b) on any Mandatory Tender Date, to the Bond Fund, the amount necessary to pay the redemption price of the Bonds, if the Bonds are not remarketed on the Mandatory Tender Date; and (c) on the Maturity Date of the Bonds, to the Bond Fund, the amount necessary to pay all amounts due on the Bonds on such date.

On the earlier of the Maturity Date or any Mandatory Tender Date with respect to which the Bonds are not remarketed, the Trustee will transfer any amounts then on deposit in the Collateral Fund into the Bond Fund to pay Bond Service Charges on the Bonds.

Amounts on deposit in the Collateral Fund in excess of the amount required to pay Bond Service Charges after payment in full of the Bonds may be transferred to the Project Fund and used to pay costs of the Development.

The Bonds shall not be, and shall not be deemed to be, paid or prepaid by reason of any deposit into the Collateral Fund unless and until the amount on deposit in the Collateral Fund is transferred to the Bond Fund and applied to the payment of the principal of any of the Bonds, the principal component of the redemption price of any of the Bonds or the principal component of the redemption price of any of the Bonds, all as provided in the Indenture.

### **Expense Fund**

On the date of delivery, there is to be deposited in the Expense Fund the initial deposit of funds provided by the Borrower to provide money to pay the amounts set forth below. The Trustee is to apply money on deposit in the Expense Fund solely for the following purposes, upon receipt of written instructions from the Borrower, in the following order of priority:

- (i) to transfer money to the Rebate Fund to the extent necessary to pay the Rebate Amount (if any);
- (ii) to pay the Ordinary Trustee's Fees and Expenses when due;
- (iii) to pay the Dissemination Agent Fee when due;
- (iv) to pay the Issuer's Fees when due; and
- (v) to pay the Issuer's Fees not previously paid.

To the extent money in the Expense Fund is not sufficient to pay the foregoing fees and expenses, such deficiency is to be paid by the Borrower pursuant to the Loan Agreement immediately upon written demand.

“Ordinary Trustee's Fees and Expenses” means the amount due to the Trustee for the Ordinary Services and the Ordinary Expenses (each as defined in the Indenture) of the Trustee incurred in its duties under the Indenture; provided, however, that the amount of Ordinary Trustee's Fees and Expenses payable under the Indenture is limited to money withdrawn from the Expense Fund, and the Borrower is responsible to pay the remaining amount pursuant to the Loan Agreement.

“Dissemination Agent Fee” means the fee payable to the Dissemination Agent as compensation for its services and expenses in performing its obligations under the Continuing Disclosure Agreement; provided, however, that the amount of the Dissemination Agent fee payable under the Indenture is limited to money withdrawn from the Expense Fund, and the Borrower is obligated to pay the remaining amount under the Loan Agreement.

“Issuer Administration Fee” means the fee payable annually in advance to the Issuer in the amount of .10% per annum of the aggregate principal amount of Bonds outstanding at the inception of each payment period.

“Issuer Compliance Fee” means the fee payable annually in advance to the Issuer in the amount of \$25 per unit in the Development (to be increased annually based on any corresponding increase in the Consumer Price Index).

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

## **Investment of Funds**

Money in the Special Funds and the Rebate Fund is to be invested and reinvested by the Trustee at the written direction of the Borrower. In the absence of instructions from the Borrower, the Trustee is to invest money in the Special Funds and Rebate Fund in Eligible Investments described in clause (b) below. At no time is the Borrower to direct that any funds constituting gross proceeds of the Bonds be used in any manner that would constitute failure of compliance with Section 148 of the Code.

Investments of money in the Bond Fund and the Collateral Fund are to be made as directed by the Borrower only in Eligible Investments (as defined below) that mature or are redeemable at the option of the Trustee at the times and in the amounts necessary to provide money to pay Bond Service Charges on the Bonds as they become due on each Payment Date or at stated maturity or Mandatory Tender Date.

“Eligible Investments” means any of the following investments, to the extent authorized under State law, which mature (or are redeemable at the option of the Trustee without penalty) at such time or times as to enable timely disbursements to be made from the fund in which such investment is held or allocated in accordance with the terms of the Indenture:

(a) Government Obligations (as defined below); and

(b) shares or units in any money market mutual fund rated “AAAm” or “AAAm-G” by Standard & Poor’s Ratings Services, a Division of the McGraw-Hill Companies, Inc. (“S&P”) (or if S&P is not the Rating Agency or a new rating scale is implemented, the equivalent rating category given by the Rating Agency for that general category of security) (including mutual funds of the Trustee or its affiliates or for which the Trustee or an affiliate thereof serves as investment advisor or provides other services to such mutual fund and receives reasonable compensation therefor) registered under the Investment Company Act of 1940, as amended, whose investment portfolio consists solely of direct obligations of the government of the United States of America.

Eligible Investments will not include the following: (1) any investment with a final maturity or any agreement with a term ending later than the earliest of (i) the current Mandatory Tender Date in effect at the time of investment, (ii) the Maturity Date, and (iii) one year from the date of the investment (except (A) obligations that provide for the optional or mandatory tender, at par, by the holder of such obligations at any time and (B) Government Obligations irrevocably deposited with the Trustee for defeasance of Bonds, (2) any interest-only or principal-only stripped security, and (3) any investment which may be prepaid or called at a price less than its purchase price prior to stated maturity.

“Government Obligations” means direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of Treasury), and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by the United States of America.

Investment of money in the Project Fund is to be made as directed by the Borrower only in Eligible Investments that are described in paragraph (c) above.

Any investments may be purchased from or sold to the Trustee, or any bank, trust company or savings and loan association which is an affiliate of the Trustee. The Trustee is to sell or redeem investments credited to the Bond Fund to produce sufficient money applicable to and at the times required for the purposes of paying Bond Service Charges when due as aforesaid, and is to do so without necessity for any order on behalf of the Issuer and without restriction by reason of any order.

Amounts in the Negative Arbitrage Account of the Bond Fund shall be invested in Eligible Investments that have a maturity date (or are redeemable at par) not later than the date when such funds are needed to pay interest on the Bonds. Amounts in the Bond Fund (other than the Negative Arbitrage Account of the Bond Fund) shall be invested in Eligible Investments that have a maturity date (or are redeemable at par) not later than the date when such funds are needed to pay all other Bond Service Charges on the Bonds.

Ratings of Eligible Investments are to be determined at the time of purchase of such Eligible Investments and without regard to rating subcategories.

### **Final Balances**

Except as provided in the Indenture, any amounts remaining in the Bond Fund (i) after all of the outstanding Bonds are deemed paid and discharged under the provisions of the Indenture, and (ii) after payment of all fees, charges and expenses of the Trustee, and of all other amounts required to be paid under the Indenture, the Loan Agreement, the Regulatory Agreement and the Note, are to be paid to the Borrower to the extent that those amounts are in excess of those necessary to effect the payment and discharge of the outstanding Bonds.

### **Events of Default**

Each of the following is an “Event of Default” under the Indenture:

- (a) Payment of any interest on any Bond is not made when and as that interest becomes due and payable;
- (b) Payment of the principal of any Bond is not made when and as that principal becomes due and payable, whether at stated maturity, upon mandatory redemption or acceleration or otherwise;
- (c) Failure by the Issuer to observe or perform any other covenant, agreement or obligation on its part required to be observed or performed as set forth in the Indenture or in the Bonds, which failure has continued for a period of 30 days after notice of default in accordance with the Indenture specifying the failure and requiring that it be remedied; and
- (d) The occurrence and continuance of an Event of Default as defined in the Loan Agreement.

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

The term “default” or “failure” as used above means (i) a default or failure by the Issuer in the observance or performance of any of the covenants, agreements or obligations on its part to be observed or performed contained in the Indenture or in the Bonds, or (ii) a default or failure by the Borrower under the Loan Agreement, exclusive of any period of grace or notice required to constitute an Event of Default, as provided in the Loan Agreement.

### **Acceleration**

Upon the occurrence of an Event of Default described in (a) and (b) under “—Events of Default” above, the Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then outstanding must, subject to the terms of the Indenture, by a written notice in writing delivered to the Borrower and the Issuer, declare the principal of all Bonds then outstanding (if not then due and payable), and the interest accrued thereon, to be due and payable immediately; provided, however, that the Trustee is to make such declaration only if the Trustee has determined that it will have sufficient funds available to pay the full amount of principal and accrued but unpaid interest to the Holders as of the date of acceleration. If the Trustee is unable to determine that sufficient funds will be available, the Trustee nonetheless is to declare the principal of all of the Bonds immediately due and payable, but only upon the written direction of the Holders of all of the Bonds then outstanding. Upon the occurrence of any Event of Default other than those described in (a) and (b) above, the Trustee may, and upon the written request of all Holders of Bonds then outstanding, must, subject to the terms of the Indenture, declare by a notice in writing delivered to the Borrower and the Issuer, the principal of all Bonds then outstanding (if not then due and payable), and the interest thereon, to be due and payable immediately. Upon such declaration, principal and interest will become and be due and payable immediately. Interest on the Bonds will accrue to the date determined by the Trustee for the tender of payment to the Holders pursuant to that declaration; provided that interest on any unpaid principal of Bonds outstanding will continue to accrue from the date determined by the Trustee for the tender of payment to the Holders of those Bonds.

The provisions described in the preceding paragraph are subject, however, to the condition that if, at any time after declaration of acceleration and prior to the entry of a judgment in a court for enforcement under the Indenture (after an opportunity for hearing by the Issuer and the Borrower),

(i) all sums payable under the Indenture (except the principal of and interest on Bonds that have not reached their stated maturity dates but which are due and payable solely by reason of that declaration of acceleration), plus interest to the extent permitted by law on any overdue installments of interest at the rate borne by the Bonds in respect of which the default has occurred, have been duly paid or provision has been duly made therefor by deposit with the Trustee, and

(ii) all existing Events of Default have been cured,

then and in every case, the Trustee is to waive the Event of Default and its consequences and rescind and annul that declaration. No waiver or rescission and annulment will extend to or affect any subsequent Event of Default or shall impair any rights consequent thereon.



## **Other Remedies; Rights of Holders**

With or without taking action described under “—Acceleration” above, upon the occurrence and continuance of an Event of Default, the Trustee may pursue any available remedy, including without limitation actions at law or equity to enforce the payment of Bond Service Charges or the observance and performance of any other covenant, agreement or obligation under the Indenture, the Loan Agreement, the Regulatory Agreement or the Note or any other instrument providing security, directly or indirectly, for the Bonds.

If, upon the occurrence and continuance of an Event of Default, the Trustee is requested so to do by the Holders of at least a majority in aggregate principal amount of Bonds outstanding, the Trustee (subject to the provisions of the Indenture), is to exercise any rights and powers conferred by the Indenture.

No remedy conferred upon or reserved to the Trustee (or to the Holders) by the Indenture is intended to be exclusive of any other remedy. Each remedy is to be cumulative and in addition to every other remedy given under the Indenture or otherwise to the Trustee or to the Holders.

No delay in exercising or omission to exercise any remedy, right or power accruing upon any default or Event of Default is to impair that remedy, right or power or is to be construed to be a waiver of any default or Event of Default or acquiescence therein. Every remedy, right and power may be exercised from time to time and as often as may be deemed to be expedient.

No waiver of any default or Event of Default under the Indenture, whether by the Trustee or by the Holders, is to extend to or is to affect any subsequent default or Event of Default or is to impair any remedy, right or power consequent thereon.

## **Right of Holders to Direct Proceedings**

The Holders of a majority in aggregate principal amount of Bonds then outstanding will have the right at any time to direct, by an instrument or document in writing executed and delivered to the Trustee, the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings thereunder; provided, that (i) any direction is not to be other than in accordance with the provisions of law and of the Indenture, (ii) the Trustee is indemnified as provided in the Indenture, and (iii) the Trustee may take any other action that it deems to be proper and that is not inconsistent with the direction.

## **Application of Money**

If at any time after the occurrence of an Event of Default, the money held by the Trustee under the Indenture (other than amounts in the Rebate Fund) is not sufficient to pay the principal of and interest on the Bonds as the same become due and payable, such money, together with any money then available or thereafter becoming available for such purpose, whether through the exercise of remedies in the Indenture or otherwise, is to be applied by the Trustee as described below. After payment of any costs, expenses, liabilities and advances paid, incurred or made by the Trustee in the collection of money and to all Ordinary Trustee Fees and Expenses and fees of the Trustee for Extraordinary Services and Extraordinary Expenses pursuant to any right given or action taken under the provisions of the Indenture, all money received by the Trustee is to be applied as follows, subject to the Indenture:

- (a) Unless the principal of all of the Bonds has become, or has been declared to be, due and payable, all of such money is to be deposited in the Bond Fund and applied:

First -- To the payment to the Holders entitled thereto of all installments of interest then due on the Bonds, in the order of the dates of maturity of the installments of that interest, beginning with the earliest date of maturity and, if the amount available is not sufficient to pay in full any particular installment, then to the payment thereof ratably, according to the amounts due on that installment, to the Holders entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds; and

Second -- To the payment to the Holders entitled thereto of the unpaid principal of any of the Bonds that has become due, in the order of their due dates, beginning with the earliest due date, with interest on those Bonds from the respective dates upon which they became due at the rates specified in those Bonds, and if the amount available is not sufficient to pay in full all Bonds due on any particular date, together with that interest, then to the payment thereof ratably, according to the amounts of principal due on that date, to the Holders entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds.

(b) If the principal of all of the Bonds has become due or has been declared to be due and payable pursuant to the Indenture, all of such money is to be deposited into the Bond Fund and applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest, of interest over principal, 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 and interest, to the Holders entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds.

(c) If the principal of all of the Bonds has been declared to be due and payable, and if that declaration thereafter has been rescinded and annulled, subject to the provisions of paragraph (b) above in the event that the principal of all of the Bonds becomes due and payable later, such money on deposit in the Special Funds is to remain in such funds and be applied in accordance with the provisions of the Indenture.

(d) Whenever money on deposit in the Special Funds is to be applied pursuant to the provisions described under this subcaption, such money is to be applied at such times, and from time to time, as the Trustee determines, having due regard to the amount of money available for application and the likelihood of additional money becoming available for application in the future. Whenever the Trustee directs the application of such money, it is to fix the date upon which the application is to be made, and upon that date, interest is to cease to accrue on the amounts of principal, if any, to be paid on that date, provided the money is available therefor. The Trustee is to give notice of the deposit with it of any money and of the fixing of that date, all consistent with the requirements of the Indenture for the establishment of, and for giving notice with respect to, a Special Record Date for the payment of overdue interest. The Trustee will not be required to make payment of principal of a Bond to the Holder thereof until the Bond is presented to the Trustee for appropriate endorsement or for cancellation if it is paid fully.

### **Rights and Remedies of Holders**

A Holder will not have any right to institute any suit, action or proceeding for the enforcement of the Indenture, for the execution of any trust under the Indenture, or for the exercise of any other remedy under the Indenture, unless:

(a) there has occurred and is continuing an Event of Default of which the Trustee has been notified, as provided in the Indenture, or of which it is deemed to have notice under the Indenture,

(b) the Holders of at least a majority in aggregate principal amount of Bonds then outstanding have made written request to the Trustee and have afforded the Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers granted under the Indenture or to institute the suit, action or proceeding in its own name, and have offered indemnity to the Trustee as provided in the Indenture, and

(c) the Trustee thereafter has failed or refused to exercise the remedies, rights and powers granted under the Indenture or to institute the suit, action or proceeding in its own name.

At the option of the Trustee, that notification (or notice), request, opportunity and offer of indemnity are conditions precedent, in every case, to the institution of any suit, action or proceeding described above.

No one or more Holders of the Bonds will have any right to affect, disturb or prejudice in any manner whatsoever the security or benefit of the Indenture by its or their action, or to enforce, except in the manner provided therein, any remedy, right or power under the Indenture. Any suit, action or proceedings are to be instituted, had and maintained in the manner provided in the Indenture for the benefit of the Holders of all Bonds then outstanding. Nothing in the Indenture is to affect or impair, however, the right of any Holder to enforce the payment of the Bond Service Charges on any Bond owned by that Holder at and after the maturity thereof, at the place, from the sources and in the manner expressed in that Bond.

### **Waivers of Events of Default**

Except for those Events of Default described in (a) or (b) under “—Events of Default” above, at any time, in its discretion, the Trustee may waive any Event of Default and its consequences and may rescind and annul any declaration of maturity of principal of or interest on the Bonds, and the Trustee must do so upon the written request of the Holders of at least a majority in aggregate principal amount of all Bonds then outstanding.

There is not to be so waived, however, any Event of Default described in (a) or (b) under “—Events of Default” above or any declaration of acceleration in connection therewith rescinded or annulled, unless, at the time of that waiver or rescission and annulment, payments of the amounts provided in the Indenture for waiver and rescission and annulment in connection with acceleration of maturity have been made or provision has been made therefor. In the case of the waiver or rescission and annulment, or in case any suit, action or proceedings taken by the Trustee on account of any Event of Default have been discontinued, abandoned or determined adversely to it, the Issuer, the Trustee and the Holders are to be restored to their former positions and rights under the Indenture, respectively. No waiver or rescission is to extend to any subsequent or other Event of Default or impair any right consequent thereon.

### **Supplemental Indentures**

Without the consent of, or notice to, any of the Holders, the Issuer and the Trustee may enter into indentures supplemental to the Indenture that are not, in the opinion of the Issuer, inconsistent with the terms and provisions of the Indenture for any one or more of the following purposes:

(a) to cure any ambiguity, inconsistency or formal defect or omission in the Indenture;

(b) to grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the Holders or the Trustee;

(c) to assign additional revenues under the Indenture;

(d) to accept additional security and instruments and documents of further assurance with respect to the Development;

(e) to add to the covenants, agreements, obligations and rights of the Issuer under the Indenture, other covenants, agreements and obligations to be observed or rights to be exercised for the protection of the Holders, or to surrender or limit any right, power or authority reserved to or conferred upon the Issuer in the Indenture;

(f) to evidence any succession to the Issuer and the assumption by its successor of the covenants, agreements and obligations of the Issuer under the Indenture, the Loan Agreement and the Bonds;

(g) to facilitate (i) the transfer of Bonds issued by the Issuer under the Indenture and held in Book Entry Form from one depository to another and the succession of depositories, or (ii) the withdrawal of Bonds issued by the Issuer under the Indenture and delivered to a depository for use in a Book Entry System and the issuance of replacement Bonds in fully registered form and in the form of physical certificates to others than a depository;

(h) to permit the Trustee to comply with any obligations imposed upon it by law;

(i) to specify further the duties and responsibilities of the Trustee;

(j) to achieve compliance of the Indenture with any applicable federal securities or tax law; and

(k) to make amendments to the provisions of the Indenture relating to arbitrage matters under Section 148 of the Code, if, in the opinion of Bond Counsel, those amendments would not adversely affect the Federal Tax Status (as defined below) of the Bonds, which amendments may, among other things, change the responsibility for making the relevant calculations, provided that in no event is such amendment to delegate to the Trustee, without its consent, in its sole discretion the obligation to make or perform the calculations required under Section 148 of the Code.

“Federal Tax Status” means, as to the Bonds, the status of the interest on the Bonds as excludable from gross income for federal income tax purposes of the Holders of the Bonds (except on any Bond during any period while it is held by a “substantial user” or a “related person” to such a “substantial user” each as defined in the Code).

### **Supplemental Indentures Requiring Consent of Holders**

Exclusive of Supplemental Indentures described above and subject to the terms, provisions and limitations described below, and not otherwise, with the consent of the Holders of not less than a majority of the aggregate principal amount of the Bonds outstanding, and with the consent of the Borrower (if required by the Indenture), the Issuer and the Trustee may execute and deliver Supplemental Indentures adding any provisions to, changing in any manner or eliminating any of the provisions of the Indenture or

any Supplemental Indenture or restricting in any manner the rights of the Holders. Nothing in the Indenture is to permit, however, or be construed as permitting,

(a) without the consent of the Holder of each Bond so affected: (i) an extension of the maturity of the principal of or the interest on any Bond, or (ii) a reduction in the principal amount of any Bond or the rate of interest thereon;

(b) without the consent of the Holders of all Bonds then outstanding, (i) the creation of a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (ii) a reduction in the aggregate principal amount of the Bonds required for consent to a Supplemental Indenture.

If the Issuer requests that the Trustee execute and deliver any Supplemental Indenture for any of the purposes described under this subcaption, upon (i) being satisfactorily indemnified with respect to its expenses in connection therewith, and (ii) if required by the Indenture, receipt of the Borrower's consent to the proposed execution and delivery of the Supplemental Indenture, the Trustee is to cause notice of the proposed execution and delivery of the Supplemental Indenture to be mailed by first-class mail, postage prepaid, to the Holders of Bonds at their addresses as they appear on the register at the close of business on the fifteenth day preceding that mailing.

The Trustee will not be subject to any liability to any Holder by reason of the Trustee's failure to mail, or the failure of any Holder to receive, the notice described above. Any failure of that nature will not affect the validity of the Supplemental Indenture when there has been consent thereto as described above. The notice is to set forth briefly the nature of the proposed Supplemental Indenture and state that copies thereof are on file at the designated office of the Trustee for inspection by all Holders.

If the Trustee receives, within a period prescribed by the Borrower, of not less than 60 days, but not exceeding one year, following the mailing of the notice, an instrument or document or instruments or documents, in form to which the Trustee does not reasonably object, purporting to be executed by the Holders of not less than a majority in aggregate principal amount of the Bonds then outstanding (which instrument or document or instruments or documents refer to the proposed Supplemental Indenture in the form described in the notice and specifically consent to the Supplemental Indenture in substantially that form), the Trustee is to execute and deliver the Supplemental Indenture in substantially the form to which reference is made in the notice as being on file with the Trustee, without liability or responsibility to any Holder, regardless of whether that Holder has consented thereto.

Any consent will be binding upon the Holder giving the consent and, anything in the Indenture to the contrary notwithstanding, upon any subsequent Holder of that Bond and of any Bond issued in exchange therefor (regardless of whether the subsequent Holder has notice of the consent to the Supplemental Indenture). A consent may be revoked in writing, however, by the Holder who gave the consent or by a subsequent Holder of the Bond by a revocation of such consent received by the Trustee prior to the execution and delivery by the Trustee of the Supplemental Indenture. At any time after the Holders of the required percentage of Bonds have filed their consents to the Supplemental Indenture, the Trustee is to make and file with the Issuer a written statement that the Holders of the required percentage of Bonds have filed those consents. That written statement will be conclusive evidence that the consents have been so filed.

If the Holders of the required percentage in aggregate principal amount of Bonds outstanding have consented to the Supplemental Indenture, as described above, no Holder will have any right (a) to object to (i) the execution or delivery of the Supplemental Indenture, (ii) any of the terms and provisions contained therein, or (iii) the operation thereof, (b) to question the propriety of the execution and delivery thereof, or (c) to enjoin or restrain the Trustee or the Issuer from that execution or delivery or from taking any action pursuant to the provisions thereof.

## **Consent of Borrower**

Anything contained in the Indenture to the contrary notwithstanding, a Supplemental Indenture that affects in any material respect any rights or obligations of the Borrower will not become effective unless and until the Borrower and Investor Limited Partner have consented in writing to the execution and delivery of that Supplemental Indenture.

## **The Trustee**

Prior to the occurrence of a default or an Event of Default under the Indenture of which the Trustee has been notified (or is deemed to have notice) as provided in the Indenture and after the cure or waiver of any such Event of Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default has occurred that has not been cured (of which the Trustee has been notified or is deemed to have notice), the Trustee is to exercise such rights and powers vested in it by the Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

Before taking any action under the Indenture, the Trustee may require that a satisfactory indemnity bond be furnished to the Trustee for the reimbursement of all expenses that it may incur and to protect it against all liability by reason of any action so taken, except liability that is adjudicated to have resulted from its negligence or willful misconduct.

The Trustee may become the owner of the Bonds with the same rights it would have if it were not the Trustee.

The Trustee may at any time resign from the trusts created by the Indenture by giving 60 days prior written notice to the Issuer, the Borrower, the Remarketing Agent and to each registered owner of the Bonds then outstanding; provided that no such resignation will take effect until a successor has been appointed and has accepted such appointment as provided in the Indenture or an order of a court of competent jurisdiction allows the Trustee to resign.

## **Satisfaction and Discharge of the Indenture**

The lien of the Indenture will be discharged if the Issuer pays or causes to be paid and discharged all the outstanding Bonds, or there are otherwise paid to the Holders of the outstanding Bonds all the Bond Service Charges due or to become due thereon, and provisions are also made for paying all other amounts payable under the Indenture by the Issuer, or under the Loan Agreement, the Regulatory Agreement and the Note.

All or any part of the outstanding Bonds will be deemed to have been paid and discharged within the meaning of the Indenture if the Trustee has received in trust and irrevocably committed for such payment, (a) sufficient money, or (b) noncallable Government Obligations certified by an independent public accounting firm of national reputation to be of such maturities or redemption dates and interest payment dates, and to bear such interest as will be sufficient, together with money referred to in (a) above, without further investment or reinvestment for the payment of Bond Service Charges on the Bonds to the date of maturity. Any money so held by the Trustee may be invested by the Trustee, but only in noncallable Government Obligations having maturities which, at the option of the holder, will not be later than the time or times at which such money will be required for the aforesaid purposes.

## THE LOAN AGREEMENT

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

### **Representations and Covenants of the Borrower**

In the Loan Agreement, the Borrower makes the following representations and covenants (among others):

(a) It is a limited partnership duly formed and in full force and effect under the laws of the State of Texas, is in good standing and duly qualified to transact business in the State and not in violation of any provision of any applicable organizational documents, and is authorized to own and operate the Development in the State.

(b) It has full power and authority to execute, deliver and perform the Borrower Documents (as defined in the Indenture) and to enter into and carry out the transactions contemplated by those documents. The execution, delivery and performance of the Borrower Documents do not, and will not, violate any provision of law applicable to the Borrower and do not, and will not, conflict with or result in a default under any agreement or instrument to which the Borrower is a party or by which it is bound. The Borrower Documents have, by proper action, been duly authorized, executed and delivered by the Borrower and all steps necessary have been taken to constitute the Borrower Documents valid and binding obligations of the Borrower.

(c) The provision of financial assistance to be made available to it under the Loan Agreement and the commitments therefor made by the Issuer have induced the Borrower to undertake the transactions contemplated by the Loan Agreement.

(d) It will use or operate the Development in a manner consistent with the Act and in accordance with the Regulatory Agreement for so long as required by the Act and the Code and knows of no reason why the Development will not be so operated. If, in the future, there is a cessation of that operation, it will use its best efforts to resume that operation or accomplish an alternate use by the Borrower or others approved by the Issuer which will be consistent with the Act, the Code and the Regulatory Agreement.

(e) The Development will be completed in accordance with the Plans and Specifications (as defined in the Indenture) and the portion of the Development funded with the proceeds of the Bonds will constitute a “qualified residential rental project” within the meaning of Section 142(d) of the Code and will be operated and maintained in such manner as to conform in all material respects with all applicable zoning, planning, building, environmental and other applicable governmental regulations.

(f) The Development will be located entirely within the jurisdiction of the Issuer.

(g) The proceeds of the Bonds will be used or deemed used exclusively to pay costs that (i) are (A) capital expenditures (as defined in Section 1.150-1(a) of the regulations under the Code) and (B) not made for the acquisition of existing property, to the extent prohibited in Section 147(d) of the Code, and (ii) are made exclusively with respect to a “qualified residential rental project” within the meaning of Section 142(d) of the Code and that for the greatest number of buildings the proceeds of the Bonds will be deemed allocated on a pro rata basis to each

building in the Development and the land on which it is located so that each building and the land on which it is located will have been financed fifty percent (50%) or more by the proceeds of the Bonds for the purpose of complying with Section 42(h)(4)(B) of the Code; provided, however, such representation, covenant and warranty is made for the benefit of the Borrower and its partners and neither the Trustee nor the Issuer will have any obligation to enforce this covenant nor will they incur any liability to any person, including, without limitation, the Borrower, the partners of the Borrower, any other affiliate of the Borrower or the Holders of the Bonds for any failure to meet the intent expressed in the foregoing representation, covenant and warranty; and provided further, failure to comply with such representation, covenant and warranty will not constitute a default or Event of Default under the Loan Agreement or the Indenture.

The Borrower acknowledges that the representations and covenants in the Loan Agreement made by the Borrower have been expressly and specifically relied upon by the Issuer in determining to make the Loan to the Borrower, and the Loan would not have been made but for such representations and covenants.

### **General Terms of the Financing**

To provide funds to make the Loan, the Issuer will issue, sell and deliver the Bonds to the Underwriter. The Bonds will be issued pursuant to the Indenture in the aggregate principal amount, will bear interest and will mature as set forth therein. Under the Loan Agreement, the Borrower approves the terms and conditions of the Indenture and the Bonds, and the terms and conditions under which the Bonds will be issued, sold and delivered.

### **Disbursements from the Project Fund**

Subject to the provisions below and so long as no Event of Default under the Loan Agreement has occurred and is continuing for which the principal amount of the Bonds has been declared to be immediately due and payable pursuant to the Loan Agreement and the Indenture and no determination of taxability has occurred, disbursements from the Project Fund to pay Development costs will be made only upon the receipt by the Trustee of (a) a written disbursement request and (b) Collateral Payments in the amount of such disbursement request for deposit in the Collateral Fund as provided in the Loan Agreement.

Notwithstanding any provision of the Loan Agreement or the Indenture to the contrary, the Trustee is not to disburse funds from the Project Fund unless and until the Trustee confirms that amounts on deposit in the Collateral Fund plus amounts on deposit in the Project Fund, less the amount of the requested disbursement from the Project Fund, are at least equal to the then-outstanding principal amount of the Bonds.

Any money in the Project Fund remaining after the completion of the Development and payment in full of the costs of the Development shall be promptly paid into the Bond Fund and used to redeem Bonds on the earliest date on which such Bonds are subject to optional redemption.

### **Assignment of Agreement and Revenues**

To secure the payment of Bond Service Charges, the Issuer will assign to the Trustee, by the Indenture, its rights under and interest in the Loan Agreement (except for the Reserved Rights) and the Note. In the Loan Agreement, the Borrower agrees and consents to those assignments. The Issuer has agreed in the Loan Agreement that it will not attempt to further assign, transfer or convey its interest in the Revenues or the Loan Agreement or create any pledge or lien of any form or nature with respect to the Revenues, Loan Payments or the Collateral Payments under the Loan Agreement.



## **Events of Default under the Loan Agreement**

Each of the following is an “Event of Default” under the Loan Agreement:

(a) The Borrower fails to pay any Loan Payment on or prior to the date on which that Loan Payment is due and payable to the extent amounts on deposit in the Bond Fund, including amounts transferred from the Collateral Fund and the Project Fund, are insufficient to pay the Bond Service Charges due on the next Payment Date;

(b) The Borrower fails to observe and perform any other agreement, term or condition contained in the Loan Agreement or any other Financing Document and the continuation of such failure for a period of 30 days after written notice thereof has been given to the Borrower and the Investor Limited Partner by the Issuer or the Trustee, or for such longer period as the Issuer and the Trustee may agree to in writing; provided, that if the failure is other than the payment of money and is of such nature that it can be corrected but not within the applicable period, that failure will not constitute an Event of Default so long as the Borrower institutes curative action within the applicable period and diligently pursues that action to completion, which must be resolved within 180 days after the aforementioned notice;

(c) The Borrower: (i) admits in writing its inability to pay its debts generally as they become due; (ii) has an order for relief entered in any case commenced by or against it under the federal bankruptcy laws, as now or hereafter in effect, which is not dismissed within 90 days; (iii) commences a proceeding under any other federal or state bankruptcy, insolvency, reorganization or similar law, or has such a proceeding commenced against it and either has an order of insolvency or reorganization entered against it or has the proceeding remain undismissed and unstayed for 90 days; (iv) makes an assignment for the benefit of creditors; or (v) has a receiver or trustee appointed for it or for the whole or any substantial part of its property which appointment is not vacated within a period of 90 days;

(d) Any representation or warranty made by the Borrower in the Loan Agreement or any statement in any report, certificate, financial statement or other instrument furnished in connection with the Loan Agreement or with the purchase of the Bonds at any time proves to have been false or misleading in any adverse material respect when made or given; and

(e) There occurs an “Event of Default” (as defined in the Indenture) by the Borrower or an event of default beyond applicable notice and cure periods under the Regulatory Agreement.

## **Borrower Not to Adversely Affect Tax-Exempt Status of Interest on the Bonds**

The Borrower covenants in the Loan Agreement that it will not take any action or omit to take any action which, if taken or omitted, respectively, would adversely affect the Federal Tax Status of the Bonds.

## **Amendments, Changes and Modifications**

Amendments Without Consent of Bondholders. Without the consent of or notice to the Holders, the Issuer, the Borrower, Investor Limited Partner and the Trustee may consent to any amendment, change or modification of the Loan Agreement, the Note, the Regulatory Agreement, or the Bond Mortgage, as may be required (a) by the provisions of the Note, the Loan Agreement, the Regulatory Agreement, or the Bond Mortgage, (b) for the purpose of curing any ambiguity, inconsistency or formal defect or omission in the Loan Agreement, the Note, the Regulatory Agreement, or the Bond Mortgage, (c) in connection with an amendment or to effect any purpose for which there could be an amendment of

the Indenture without consent of Holders, or (d) in connection with any other change therein which is not to the prejudice of the Trustee or the Holders.

Amendments Requiring Consent of Bondholders. Except as set forth in the paragraph above, neither the Issuer nor the Trustee shall consent to:

(a) any amendment, change or modification of the Loan Agreement, the Note, or the Bond Mortgage which would change the amount or time as of which Loan Payments and Collateral Payments are required to be paid, without the giving of notice of the proposed amendment, change or modification and receipt of the written consent thereto of the Holders of all of the outstanding Bonds affected by such amendment, change or modification, or

(b) any other amendment, change or modification of the Loan Agreement, the Note, the Regulatory Agreement, or the Bond Mortgage without the giving of notice of the proposed amendment, change or modification and receipt of the written consent thereto of the Holders of not less than a majority in aggregate principal amount of the Bonds then outstanding affected by such amendment, change or modification.

If the Issuer or the Borrower requests at any time the consent of the Trustee to any proposed amendment, change or modification of the Loan Agreement, the Note, the Regulatory Agreement, or the Bond Mortgage described in (a) or (b) above, upon being indemnified satisfactorily with respect to expenses, the Trustee is to cause notice of the proposed amendment, change or modification to be provided in the manner which is required with respect to notice of Supplemental Indentures. The notice will set forth briefly the nature of the proposed amendment, change or modification and will state that copies of the instrument or document embodying it are on file at the designated office of the Trustee for inspection by all Holders.

Before the Issuer and the Trustee consent to any amendment, change or modification of any of the Loan Agreement, the Note, the Regulatory Agreement, or the Bond Mortgage, there is to be delivered to the Trustee an opinion of bond counsel to the effect that such amendment, change or modification will not adversely affect the Federal Tax Status of the Bonds.

## **TAX MATTERS**

### **Tax Exemption**

#### *In General*

In the opinion of Bracewell & Giuliani LLP, assuming compliance with certain covenants and based on certain representations, (i) 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” of such a “substantial user” within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not subject to the alternative minimum tax imposed on individuals and corporations.

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

Internal Revenue Service (the “Service”). The Issuer and the Borrower have covenanted in the Indenture, Loan Agreement and Regulatory Agreement that they will comply with these requirements.

Bracewell & Giuliani LLP’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 Bracewell & Giuliani LLP 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 tax purposes from the date of original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Interest on the Bonds is not treated as an “item of tax preference” to be included in the computation of “alternative minimum taxable income” for an individual or a corporation. Furthermore, interest on the Bonds is not treated as includable in the “adjusted current earnings” of a corporation for purposes of computing its alternative minimum tax liability.

Except as stated above, Bracewell & Giuliani LLP 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. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Indenture upon the advice or with the approving opinion of nationally-recognized bond counsel. Bracewell & Giuliani LLP will express no opinion with respect to Bracewell & Giuliani LLP’s ability to render an opinion that such actions, if taken or omitted, will not adversely affect the exclusion of interest of the Bonds from gross income for federal income tax purposes.

Bracewell & Giuliani LLP’s opinions are based on existing law, which is subject to change. Such opinions are further based on Bracewell & Giuliani LLP’s knowledge of facts as of the date thereof. Co-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, Bracewell & Giuliani LLP’s opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bracewell & Giuliani LLP’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 Holders 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.

#### *Operation of the Development*

In the case of tax-exempt bonds used to provide “qualified residential rental projects,” 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 available units in the Development be occupied by individuals with income below certain levels pursuant to the Issuer’s election made under Section 142(d)(1) 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. Treasury Regulations (the “Regulations”) setting forth requirements for compliance with a comparable provision of the predecessor of Section 142 of the Code require, among other things, that (1) the low-income set aside requirement 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 such 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, 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, will 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 Owners 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.

Bracewell & Giuliani LLP’s opinions assume continuous compliance with all covenants and requirements set forth in the 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. Prospective purchasers should be aware that the United States Department of Housing and Urban Development (“HUD”) has required the inclusion of a rider to the Regulatory Agreement (the “HUD Rider”) that provides that any action taken under the Regulatory Agreement may not conflict with the Mortgage Loan Documents and the Program Obligations (as defined in the HUD Rider). The HUD Rider also provides that the Regulatory Agreement will terminate in the event of foreclosure of the Development. Bracewell & Giuliani LLP expresses no opinion as to whether any of the covenants and requirements set forth in the Regulatory Agreement conflict with the Mortgage Loan Documents and Program Obligations. Furthermore, Bracewell & Giuliani LLP expresses no opinion as to the initial and continuing exclusion of interest on the Bonds from gross income for federal income tax purposes in the event that (i) the provisions of the HUD Rider preclude compliance with any of the covenants or requirements of the Regulatory Agreement or (ii) the Regulatory Agreement terminates as the result of a foreclosure of the Development.

### **Tax Legislative Changes**

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed

legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

## **Additional Federal Income Tax Considerations**

### *Collateral Tax Consequences*

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, low and middle income taxpayers qualifying for the health insurance premium assistance credit 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 new “branch profits tax” on their effectively-connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the taxable year.

### *Tax Accounting Treatment of Original Issue Premium*

The issue price of all or a portion of the Bonds may exceed the stated redemption price payable at maturity of such Bonds. Such Bonds (the “Premium Bonds”) are considered for federal income tax purposes to have “bond premium” equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial Holder is reduced by the amount of such excess that is amortized during the period such initial Holder holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial Holder. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All Holders of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

### *Tax Accounting Treatment of Original Issue Discount Bonds*

The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the “Original Issue Discount Bonds”). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any Holder who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial Holder is entitled

to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such Holder. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “TAX MATTERS—Tax Exemption” and “—Tax Legislative Changes” and “TAX MATTERS—Additional Federal Income Tax Considerations—Collateral Tax Consequences” generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such Holder in excess of the basis of such Original Issue Discount Bond in the hands of such Holder (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial Holder) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the Issuer nor Co-Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial Holder’s basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such Holder upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All Holders of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

## **UNDERWRITING**

Merchant Capital, L.L.C. (the “Underwriter”), is offering the Bonds at the price set forth on the cover hereof. The initial offering price may be changed from time to time and concessions from the offering price may be allowed to dealers, banks and others. The Underwriter has agreed to purchase the Bonds at a price equal to the principal amount thereof plus a purchase premium of \$61,736.81. For its services as such, the Underwriter is to be paid a fee equal to \$145,000 and is to be reimbursed for the difference between the initial offering price of the Bonds and the purchase price of the Bonds (\$61,736.81). From this fee, the Underwriter will pay certain of its expenses relating to the offering.

The Underwriter does not guarantee a secondary market for the Bonds and is not obligated to make any such market in the Bonds. No assurance can be made that such a market will develop or continue. Consequently, investors may not be able to resell Bonds should they need or wish to do so for emergency or other purposes.

### **RATING**

It is a condition to the Underwriter's acceptance of the Bonds on the date of delivery of the Bonds that Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("S&P"), have assigned a rating of "A-1+" to the Bonds. The rating reflects only the view of S&P at the time the rating was issued and an explanation of the significance of such rating may be obtained from S&P. The rating is not a recommendation to buy, sell or hold the Bonds. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating can be expected to have an adverse effect on the market price of the Bonds.

### **CERTAIN LEGAL MATTERS**

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approval of legality by Bracewell & Guiliani LLP, Austin, Texas, and Bates & Coleman, P.C., Houston, Texas, Co-Bond Counsel, and by the Attorney General of the State of Texas. Certain legal matters will be passed upon for the Underwriter by its counsel, Sidley Austin LLP, Washington, D.C., and for the Borrower by its counsel, Locke Lord LLP, Dallas, Texas. Compensation for certain of such counsel is contingent upon the issuance of the Bonds.

### **FINANCIAL ADVISOR**

George K. Baum & Company (the "Financial Advisor") has served as financial advisor to the Issuer for purposes of assisting the Issuer with the development and implementation of the bond program in connection with the Bonds. The Financial Advisor has not been engaged by the Issuer to compile, create or interpret any information in this Official Statement relating to the Issuer, including (without limitation) any of the Issuer's financial and operating data, whether historical or projected. Any information contained in this Official Statement concerning the Issuer, any of its affiliates or contractors and any outside parties has not been independently verified by the Financial Advisor, and inclusion of such information is not and should not be construed as a representation by the Financial Advisor as to its accuracy or completeness or otherwise. The Financial Advisor is not a public accounting firm and has not been engaged by the Issuer to review or audit any information in this Official Statement in accordance with accounting standards.

The Financial Advisor does not assume any responsibility for the covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

### **ABSENCE OF LITIGATION**

#### **The Issuer**

It is a condition to the Underwriter's acceptance of the Bonds on the date of delivery that the Issuer deliver a certificate to the effect that there is no litigation pending or, to the knowledge of the Issuer, threatened, against the Issuer wherein an unfavorable decision would materially adversely affect the validity of the Bonds or any proceedings or transactions relating to their issuance.

## **The Borrower**

It is a condition to the Underwriter's acceptance of the Bonds on the date of delivery that the Borrower deliver a certificate to the effect that there are no legal proceedings pending or, to the Borrower's knowledge threatened, to restrain or enjoin the issuance, sale or delivery of the Bonds or the payment, collection or application of the proceeds thereof or of the revenues and other money and securities pledged or to be pledged under the Indenture or in any way contesting or affecting any authority for or the validity of the Bonds or the Indenture.

### **CONTINUING DISCLOSURE**

The Borrower has undertaken responsibility for any continuing disclosure to Bondholders as described below, and the Issuer will have no liability to the Holders of the Bonds or any other person with respect to such disclosures.

The Borrower will covenant, pursuant to the Continuing Disclosure Agreement (the "Disclosure Agreement") to provide annually certain audited financial information and operating data relating to the Development by not later than May 1 of each year, commencing May 1, 2014 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events such as a default under the Indenture or the Loan Agreement, a change in the rating on the Bonds, an event adversely affecting the tax-exempt status of the Bonds, or adversely affecting the Bondholders, or any event similar thereto. The Annual Report will be filed by the Trustee on behalf of the Borrower to The Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB and containing such identifying information as is prescribed by the MSRB. The notices of material events will be filed by the Trustee on behalf of the Borrower, with the MSRB.



**MISCELLANEOUS**

The foregoing summaries and explanations do not purport to be comprehensive, and are expressly made subject to the exact provisions of documents referred to herein. Copies of the Indenture and the Loan Agreement may be obtained from the Trustee or, during the initial marketing of the Bonds, the Underwriter. Any statements in this Official Statement involving matters of opinion or forecast, 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 among the Issuer, the Borrower, or the Underwriter and the purchasers or Holders of any Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Issuer and the Borrower.

**THE WATERS AT WILLOW RUN, LP**, a Texas limited partnership

By: AHF-WATERS AT WILLOW RUN, LLC, a Texas limited liability company, its general partner

By: ATLANTIC HOUSING FOUNDATION, INC., a South Carolina non-profit corporation, its sole member

By: /s/ Michael Nguyen  
President

**APPENDIX A**  
**FORMS OF OPINIONS OF CO-BOND COUNSEL**

**BRACEWELL  
& GIULIANI**

**Texas**  
**New York**  
**Washington, DC**  
**Connecticut**  
**Seattle**  
**Dubai**  
**London**

Bracewell & Giuliani LLP  
111 Congress Avenue  
Suite 2300  
Austin, Texas  
78701-4061

[CLOSING DATE]

Texas Department of Housing and  
Community Affairs  
Austin, Texas

Wilmington Trust, National Association,  
as Trustee  
Dallas, Texas

Merchant Capital, L.L.C.  
Bellevue, Washington

Ladies and Gentlemen:

We have represented the Texas Department of Housing and Community Affairs (the “Issuer”) in connection with the issuance by the Issuer of its \$14,500,000 Multifamily Housing Revenue Bonds (The Waters at Willow Run Apartments) Series 2013 (the “Bonds”) pursuant to a resolution adopted by the Governing Board of the Issuer on April 11, 2013 (the “Bond Resolution”) and a Trust Indenture dated as of September 1, 2013 (the “Indenture”), by and between the Issuer and Wilmington Trust, National Association, as trustee (the “Trustee”). The Bonds bear interest, mature on the date, and are subject to mandatory and optional redemption prior to maturity as provided 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 Loan Agreement dated as of September 1, 2013 (the “Loan Agreement”) among the Issuer and The Waters at Willow Run, LP, a Texas limited partnership (the “Borrower”), or in the Regulatory and Land Use Restriction Agreement dated as of September 1, 2013 (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 finance the acquisition, construction and equipping of a multifamily residential rental development located within Travis County and Williamson County, Texas (the “Development”), to be occupied by individuals and families of low, very low and extremely 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 forty percent of the Units) 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 or the Borrower, 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 such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. 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" of such a "substantial user," 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 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 Merchant Capital, L.L.C., 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 Loan 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 inclusion 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.

Prospective purchasers should be aware that the United States Department of Housing and Urban Development (“HUD”) has required the inclusion of a rider to the Regulatory Agreement (the “HUD Rider”) providing that the provisions of the Regulatory Agreement are subordinate to the Mortgage Loan Documents and the Program Obligations (as defined in the HUD Rider). The HUD Rider also provides that the Regulatory Agreement will terminate in the event of foreclosure of the development. We express no opinion as to whether any of the covenants and requirements set forth in the Regulatory Agreement conflict with the Mortgage Loan Documents and the Program Obligations. Furthermore, we express no opinion as to the initial and continuing exclusion of interest on the Bonds from gross income for federal income tax purposes in the event that (i) the provisions of the HUD Rider preclude compliance with any of the covenants or requirements of the Regulatory Agreement or (ii) the Regulatory Agreement terminates as a result of a foreclosure of the Development.

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, low and middle income taxpayers qualifying for the health insurance premium assistance credit 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 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 each covenanted in the Indenture and the Loan 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,

**BATES & COLEMAN, P.C.**  
1402 ALABAMA  
HOUSTON, TEXAS 77004

[CLOSING DATE]

Texas Department of Housing and  
Community Affairs  
Austin, Texas

Wilmington Trust, National Association,  
as Trustee  
Dallas, Texas

Merchant Capital, L.L.C.  
Bellevue, Washington

Ladies and Gentlemen:

We have represented the Texas Department of Housing and Community Affairs (the “Issuer”) in connection with the issuance by the Issuer of its \$14,500,000 Multifamily Housing Revenue Bonds (The Waters at Willow Run Apartments) Series 2013 (the “Bonds”) pursuant to a resolution adopted by the Governing Board of the Issuer on April 11, 2013 (the “Bond Resolution”) and a Trust Indenture dated as of September 1, 2013 (the “Indenture”), by and between the Issuer and Wilmington Trust, National Association, as trustee (the “Trustee”). The Bonds bear interest, mature on the date, and are subject to mandatory and optional redemption prior to maturity as provided 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 Loan Agreement dated as of September 1, 2013 (the “Loan Agreement”) among the Issuer and The Waters at Willow Run, LP, a Texas limited partnership (the “Borrower”), or in the Regulatory and Land Use Restriction Agreement dated as of September 1, 2013 (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 finance the acquisition, construction and equipping of a multifamily residential rental development located within Travis County and Williamson County, Texas (the “Development”), to be occupied by individuals and families of low, very low and extremely 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 forty percent of the Units) 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. 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 or the Borrower, 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, 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.

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.

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.

Very truly yours,