

## OFFICIAL STATEMENT

NEW ISSUE  
BOOK-ENTRY ONLY

RATING Standard & Poor's "AAA"  
(See "RATING" herein)

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

\$9,800,000

### TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS MULTIFAMILY HOUSING REVENUE BONDS (ASPEN PARK APARTMENTS) SERIES 2006

Dated November 1, 2006

Due. As shown on the inside front cover

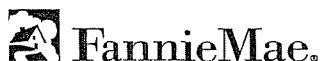
The Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Aspen Park Apartments) Series 2006 (the "Bonds") are being issued by Texas Department of Housing and Community Affairs (the "Issuer") in fully registered form only and, when issued and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Ownership interest in the Bonds may be purchased only in book-entry form in denominations of \$5,000 and integral multiples thereof. Purchasers of Bonds will not receive physical certificates representing their ownership interest in such Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Bondholders shall mean Cede & Co. and shall not mean the ultimate purchasers of the Bonds. See "THE BONDS—Book-Entry System" herein.

Interest on the Bonds will be payable semiannually on January 1 and July 1 of each year (each, an "Interest Payment Date"), commencing January 1, 2007. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., by Regions Bank, Houston, Texas (the "Trustee"). Disbursements of such payments to DTC's Participants are the responsibility of DTC.

The Bonds are being issued by the Issuer to provide the funding for a mortgage loan (the "Mortgage Loan") to be made by the Issuer to Summit Aspen Park Apartments, Ltd., a limited partnership organized and existing under the laws of the State of Alabama (the "Borrower"), for the purpose of financing costs of the acquisition, rehabilitation and equipping of the multifamily rental housing project described herein (the "Mortgaged Property") located in Houston, Texas, to be occupied, to the extent required by federal tax law or the Issuer, by low to moderate income persons in Texas. Such income restrictions are described more fully herein. See "THE BORROWER AND THE MORTGAGED PROPERTY—Rental Restrictions" herein.

The Bonds are being issued pursuant to a Trust Indenture, dated as of November 1, 2006 (the "Indenture"), between the Issuer and the Trustee. The Mortgage Loan will be made pursuant to a Financing Agreement, dated as of November 1, 2006 (the "Financing Agreement"), among the Issuer, the Trustee and the Borrower.

Payment of the principal of and interest on the Bonds will be secured, to the extent described herein, by the Mortgage Loan and by certain other resources and assets constituting the Trust Estate under the Indenture, all as described herein, in addition, certain required payments due under the Mortgage Note evidencing the Mortgage Loan will be secured, to the extent described herein, by



pursuant to and subject to the limitations of the Credit Enhancement Instrument (Stand-By) referenced herein (the "Credit Facility").

Fannie Mae's participation in the financing may be limited in duration. If the Final Conditions to Conversion (set forth in the Construction Phase Financing Agreement, as defined herein, among Fannie Mae, Regions Bank, an Alabama banking corporation, as construction phase credit facility provider (the "Construction Phase Credit Facility Provider") and Greystone Servicing Corporation, Inc., a Georgia corporation, as Loan Servicer, and acknowledged, accepted and agreed to by the Borrower, relating primarily to completion of construction and stabilization of the Mortgaged Property at a specified level of occupancy) of the Mortgage Loan from the Construction Phase to the Permanent Phase (as such terms are defined herein) are not satisfied (or waived by Fannie Mae) on or before the termination date specified in the Construction Phase Financing Agreement (the "Termination Date"), the Bonds will be subject to special mandatory redemption or, in lieu of redemption, to purchase for the account of the Construction Phase Credit Facility Provider (at the direction of the Construction Phase Credit Facility Provider), in whole, at a price equal to the principal amount of the Bonds to be redeemed or purchased plus accrued interest on the Bonds to the Redemption Date (as defined in the Indenture), or purchase date, as applicable, without premium. The price of any such special mandatory redemption or purchase in whole will be paid with funds provided under the Credit Facility. If the Final Conditions to Conversion are timely satisfied (or, to the extent not satisfied, are waived by Fannie Mae), the Bonds will not be subject to special mandatory redemption or purchase for failure of Conversion (as defined herein) to occur. There can be no assurance that Conversion will occur. If the principal amount of the Mortgage Loan is prepaid in part by the Borrower prior to and as a condition to Conversion of the Mortgage Loan from the Construction Phase to the Permanent Phase to reduce the principal amount of the Mortgage Loan to an amount less than \$9,800,000 in order to satisfy Fannie Mae's underwriting requirements, the Bonds will be subject to corresponding special mandatory redemption, in part, in an amount equal to such prepayment.

The Bonds are subject to mandatory tender for purchase on July 1, 2027 (the "Initial Remarketing Date"). If the Bonds are remarketed on the Initial Remarketing 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 Remarketing Date cannot rely on this Official Statement, but rather must rely upon any disclosure documents prepared in connection with such remarketing. The purchase price of Bonds tendered for purchase on the Initial Remarketing Date and not remarketed in accordance with the Indenture will be covered by the Credit Facility.

The Bonds are subject to optional, mandatory sinking fund and special mandatory redemption prior to maturity at the times and to the extent described herein. See "THE BONDS—Redemption" herein.

NOTWITHSTANDING ANYTHING IN THE INDENTURE CONTAINED 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. THE BONDS SHALL CONSTITUTE A VALID CLAIM OF THE RESPECTIVE BONDHOLDERS THEREOF AGAINST THE TRUST ESTATE, WHICH IS PLEDGED TO SECURE THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS AND WHICH SHALL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THE INDENTURE. THE BONDS, TOGETHER WITH INTEREST THEREON, SHALL BE LIMITED OBLIGATIONS OF THE ISSUER GIVING RISE TO NO CHARGE AGAINST THE ISSUER'S GENERAL CREDIT AND PAYABLE SOLELY FROM, AND CONSTITUTE CLAIMS OF THE BONDHOLDERS THEREOF AGAINST ONLY, THE TRUST ESTATE. THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE DEBT OF THE ISSUER (EXCEPT TO THE EXTENT OF THE TRUST ESTATE), THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON, NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THERETO. THE ISSUER HAS NO TAXING POWER.

FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE MORTGAGE LOAN AND THE BONDS ARE SOLELY AS PROVIDED IN THE CREDIT FACILITY. THE OBLIGATIONS OF FANNIE MAE UNDER THE CREDIT FACILITY WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER-OWNED CORPORATION, AND WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR ANY OTHER AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OF AMERICA OR OF FANNIE MAE. THE BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

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

The Bonds are offered when, as and if issued, subject to prior sale, to withdrawal or modification of the offer without notice and to the approving opinion of the Attorney General of the State of Texas and the opinion of Vinson & Elkins LLP, Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for Fannie Mae by its Legal Department and by O'Melveny & Myers LLP, for the Issuer by McCall, Parkhurst & Horton, LLP, Dallas, Texas, for the Borrower by Balch & Bingham, LLP, Montgomery, Alabama, and for Merchant Capital, I.L.C. by Peck, Shaffer & Williams LLP, Cincinnati, Ohio. It is expected that the Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York on or about November 9, 2006.

Dated: November 3, 2006

MERCHANT CAPITAL  
LLC

AMOUNTS, MATURITIES AND INTEREST RATES

TERM BONDS

\$9,800,000	5.00%†	Term Bonds due July 1, 2039	Price: 102%	CUSIP 88275AAR1
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(subject to mandatory tender for purchase on July 1, 2027)

†To, but not including, the Initial Remarketing Date of July 1, 2027.

No dealer, broker, salesperson or other person has been authorized by the Issuer, the Borrower 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 any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds offered herein, nor shall there be any sale of the Bonds by any person in any jurisdiction in which such offer, solicitation or sale is not authorized or in which the person making such offer, solicitation or sale is not qualified to do so or to any person to whom it is unlawful to make such offer, solicitation or sale.

The information set forth herein has been furnished by the Issuer, the Borrower and other sources which are believed to be reliable, but has not been independently verified, and such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Issuer, the Borrower, Fannie Mae or the Underwriter. The information and expressions of opinion stated herein are subject to change without notice. Accordingly, the delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the information or opinions set forth herein or in the affairs of the Issuer, the Borrower or any other parties described herein since the date hereof.

The Issuer has not and will not assume any responsibility as to the accuracy or completeness of the information contained in this Official Statement (other than information relating to the Issuer) all of which has been furnished by others. The Borrower is solely responsible for information relating to the Borrower, the Private Participants, the Mortgaged Property and for the Plan of Financing.

Fannie Mae has not provided or approved any information in this Official Statement except with respect to the description herein under the caption "FANNIE MAE," takes no responsibility for any other information contained in this Official Statement and makes no representation as to the contents of this Official Statement (other than with respect to the description herein under the caption "FANNIE MAE"). Without limiting the foregoing, Fannie Mae makes no representation as to the suitability of the Bonds for any investor, the feasibility or performance of the Mortgaged Property or compliance with any securities, tax or other laws or regulations. Fannie Mae's role is limited to providing the Credit Facility to the Trustee.

This Official Statement, including the cover page hereof, is provided for the purpose of setting forth information in connection with the issuance and sale of the Bonds. This Official Statement speaks only as of its date, the information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder may, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Borrower or Fannie Mae since the date hereof. Information in this Official Statement under the heading "THE BORROWER AND THE MORTGAGED PROPERTY" has been provided by the Borrower, and although the Issuer and the Underwriter have no reason to doubt the accuracy of such information, they and Fannie Mae specifically disclaim any responsibility therefor.

References in this Official Statement to the Indenture, the Financing Agreement, the Regulatory Agreement, the Credit Facility and other documents do not purport to be complete, and reference should be made to such documents for full and complete details of their contents.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATIONS TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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## OFFICIAL STATEMENT

Relating to

**\$9,800,000**

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

**Multifamily Housing Revenue Bonds**

**(Aspen Park Apartments)**

**Series 2006**

### INTRODUCTION

This Official Statement and the Appendices hereto set forth certain information relating to the issuance by Texas Department of Housing and Community Affairs (the "Issuer") of its \$9,800,000 Multifamily Housing Revenue Bonds (Aspen Park Apartments) Series 2006 (the "Bonds"). Certain capitalized terms used in this Official Statement are summarized in APPENDIX A – "CERTAIN DEFINITIONS" attached hereto.

The Bonds are being issued pursuant to Chapter 2306, Texas Government Code (the "Act"), and a Bond Resolution of the Issuer adopted on October 12, 2006. The Bonds will be equally and ratably secured by, and issued pursuant to, a Trust Indenture, dated as of November 1, 2006 (the "Indenture"), by and between the Issuer and Regions Bank, Houston, Texas, as trustee (the "Trustee").

The Bonds are being issued by the Issuer to provide funding for a mortgage loan (the "Mortgage Loan") to be made by the Issuer to Summit Aspen Park Apartments, Ltd., a limited partnership organized and existing under the laws of the State of Alabama (the "Borrower"), for the purpose of financing costs of the acquisition, rehabilitation and equipping of a 256-unit multifamily rental housing development known as Aspen Park Apartments (the "Mortgaged Property") located in Houston, Texas. The Mortgage Loan will be made pursuant to a Financing Agreement, dated as of November 1, 2006 (the "Financing Agreement"), among the Issuer, the Trustee and the Borrower, and in accordance with the requirements of Fannie Mae ("Fannie Mae"). The Mortgage Loan will be evidenced by a Multifamily Note (the "Mortgage Note"), executed by the Borrower. The Mortgage Note will be payable to the Issuer and will be secured by, among other things, a Multifamily Deed of Trust, Assignment of Rents, and Security Agreement and Fixture Filing (the "Security Instrument") from the Borrower in favor of the Issuer and Fannie Mae. The Security Instrument will encumber the Mortgaged Property.

The Mortgage Loan will be made by the Issuer in accordance with the requirements of Fannie Mae and subject to the terms and conditions of a commitment (the "Fannie Mae Commitment") issued by Fannie Mae to Greystone Servicing Corporation, Inc., a Georgia corporation, as servicer of the Mortgage Loan (the "Loan Servicer") if Conversion (as defined below) occurs. Under the Fannie Mae Commitment, Fannie Mae has agreed, subject to satisfaction of the terms and conditions of the Fannie Mae Commitment, to provide credit enhancement for the Mortgage Loan, as further described below, and, as further described herein, if Conversion occurs, liquidity support for the Bonds Outstanding on the Initial Remarketing Date (as defined herein) pursuant to, and subject to the limitations of, a Credit Enhancement Instrument (Stand-By), dated November 9, 2006 (the "Credit Facility," the substantially final form of which is attached hereto as Appendix F) provided by Fannie Mae to the Trustee.

On the date of issuance and delivery of the Bonds (the "Closing Date"), the Mortgage Loan, the Mortgage Note and the Security Instrument will be assigned by the Issuer to the Trustee and Fannie Mae, as their interests may appear, without recourse, and upon such assignment, the Mortgage Loan, the Mortgage Note and the Security Instrument will be part of the Trust Estate securing the Bonds. Pursuant to an Assignment and Intercreditor Agreement, dated as of November 1, 2006, by and among the Issuer, Fannie Mae and the Trustee and acknowledged, accepted and agreed to by the Borrower (the "Assignment"), Fannie Mae has the exclusive right to make all decisions in connection with the Mortgage Loan and the exclusive right to exercise all rights and remedies (other than Reserved Rights) under the Mortgage Note, the Security Instrument, the Financing Agreement and all of the other Mortgage Loan Documents (the "Assigned Documents"). Fannie Mae also has the right, at any time, upon filing with the Trustee a certification reaffirming Fannie Mae's obligations under the Credit Facility, to direct the Trustee to assign all of its right, title and interest in and to the Assigned Documents to Fannie Mae.

In addition to the other security provided under the Indenture (as described herein under the caption "SECURITY—Credit Facility"), credit enhancement for the Mortgage Loan will, as noted above, be provided by Fannie Mae pursuant to the Credit Facility through credit support for certain payments due under the Mortgage Note (designated in the Credit Facility as "Required Mortgage Payments"). The Credit Facility will be a standby facility, providing coverage in the event that the Borrower fails to make a Required Mortgage Payment. The Credit Facility will also cover the risk of disgorgement in bankruptcy. Required Mortgage Payments, if made timely and in full, are intended to be sufficient to pay the principal of and interest on the Bonds. Fannie Mae will have no obligation under the Credit Facility to pay premium, if any, on the Bonds. See "APPENDIX F—FORM OF THE CREDIT FACILITY." Fannie Mae's obligation to make payments under the Credit Facility will be absolute, unconditional and irrevocable. See "SECURITY—Credit Facility" herein. That obligation will be a general, unsecured obligation of Fannie Mae. If Fannie Mae fails to perform that obligation, the Trustee will receive only payments and other recoveries on the Mortgage Loan itself, and a delinquency or default on the Mortgage Loan at that time would seriously and adversely affect monthly payments to the Trustee. The obligation of the Borrower to reimburse Fannie Mae for any funds provided by Fannie Mae pursuant to the Credit Facility will be set forth in a Reimbursement Agreement, dated as of November 1, 2006, by and between the Borrower and Fannie Mae (the "Reimbursement Agreement"). See "APPENDIX H—SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT" attached hereto.

Fannie Mae's credit support for the Mortgage Loan will terminate if the Final Conditions to Conversion (described below) set forth in the Construction Phase Financing Agreement, dated as of November 1, 2006, among Fannie Mae, the Construction Phase Credit Facility Provider, the Loan Servicer and acknowledged, accepted and agreed to by the Borrower, as it may be amended, modified, supplemented or restated from time to time (the "Construction Phase Financing Agreement"), are not satisfied on or before the Termination Date set forth in the Construction Phase Financing Agreement (or, to the extent not satisfied, are waived by Fannie Mae).

If the Final Conditions to Conversion set forth in the Construction Phase Financing Agreement are satisfied on or before the Termination Date (or, to the extent not satisfied, are waived by Fannie Mae) the Loan Servicer is, on or before the Termination Date, to issue a Conversion Notice, in which event the Mortgage Loan will convert from the Construction Phase to the Permanent Phase (each as defined in the Construction Phase Financing Agreement) ("Conversion") and Fannie Mae's participation in the financing will continue. If, however, the Final Conditions to Conversion are not satisfied on or before the Termination Date and if the unsatisfied conditions are not waived by Fannie Mae such that the Loan Servicer fails to issue a Conversion Notice on or before the Termination Date, the Mortgage Loan will not convert from the Construction Phase to the Permanent Phase, and the Bonds will be subject to special mandatory redemption in whole. Any such special mandatory redemption will be at a redemption price equal to the principal amount of the Bonds plus accrued interest to the Redemption Date. No such redemption will be made at a premium. In the event of such a special mandatory redemption in whole, the redemption price is to be paid with funds provided under the Credit Facility. The Credit Facility will then terminate in accordance with its terms. Alternatively, in lieu of such redemption, the Bonds may be purchased by the Trustee at the direction of and for the account of the Construction Phase Credit Facility Provider. See "THE BONDS—Redemption" herein. In either case, the Bondholders will be required to deliver their Bonds for redemption or purchase, as the case may be. The Termination Date specified in the Construction Phase Financing Agreement is December 1, 2008; the Loan Servicer may request one 6-month extension of the Termination Date. The grant of any such extension is in the sole discretion of Fannie Mae.

The Final Conditions to Conversion include, for example, completion of construction of the Mortgaged Property and the achievement of a specified level of occupancy from the leasing of units in the Mortgaged Property. No assurance can be given that all of the Conditions to Conversion will be satisfied on or before the Termination Date or that other events or circumstances may or may not occur as a result of which Conversion will not occur.

Even if Conversion occurs, no assurance can be given that the principal amount of the Mortgage Loan, as finally determined in accordance with the Construction Phase Financing Agreement, will not be less than the original principal amount of the Mortgage Loan; if the principal amount of the Mortgage Loan, as finally determined in accordance with the Construction Phase Financing Agreement, is less than the original principal amount of the Mortgage Loan, the principal amount of the Mortgage Loan must, as a Final Condition to Conversion, be reduced by the Borrower's prepayment of the Mortgage Loan in part; upon such prepayment, a corresponding portion of the Bonds will be subject to special mandatory redemption. Any such special mandatory redemption will be at a

redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the Redemption Date. No such redemption will be made at a premium. If such prepayment in part is necessary in order to satisfy a Final Condition to Conversion and is not made, Conversion will not occur and the Bonds will be subject to special mandatory redemption or purchase in whole, as described above, without premium. See "THE BONDS-Special Mandatory Redemption" and "BONDHOLDERS' RISKS-Reduction in Authorized Mortgage Loan Amount" herein

Prior to Conversion, Fannie Mae will, pursuant to the Construction Phase Financing Agreement, be protected against risk of loss by the Construction Phase Credit Facility Provider through a Construction Phase Credit Facility acceptable to Fannie Mae. Certain events concerning the Construction Phase Credit Facility Provider, the Construction Phase Financing Agreement and the Construction Phase Credit Facility may result in the prepayment of the Mortgage Loan and a corresponding special mandatory redemption of the Bonds. See "THE BONDS-Special Mandatory Redemption" herein. If Conversion does occur, Fannie Mae is to release the Construction Phase Credit Facility to the Construction Phase Credit Facility Provider.

The interest rate on the Mortgage Note (the "Mortgage Note Rate") is to be established at a rate, and the monthly payments under the Mortgage Note are to be scheduled, such that the monthly payments of interest (on or before the Conversion Date) and principal and interest (after the Conversion Date) on the Mortgage Note will be sufficient, together with other money on deposit with the Trustee pursuant to the Indenture, and certain Investment Income, to pay, when due, the semi-annual interest or principal and interest on the Bonds, the monthly fees of Fannie Mae and of the Loan Servicer (after Conversion) and certain Third Party Fees (which include the Trustee's Annual Fee, the Issuer's Administration Fee and the Rebate Analyst's Fee, if any), but only to the extent that the Third Party Fees are included in the Mortgage Note Rate. The Trustee will accumulate and invest the monthly payments on the Mortgage Loan for application semiannually to payments of interest or principal and interest, as due, on the Bonds and for the payment of certain fees. See "APPENDIX B-SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" attached hereto. **Fannie Mae has not prepared, reviewed or verified, makes no representation or warranty with respect to, does not certify to, and assumes no responsibility or liability for, any calculations used to establish such schedule of payments or distributions, the assumptions used in making such calculations, their mathematical accuracy or for the sufficiency of payments or any investment income on which they are based to pay the principal of and interest on the Bonds when due, any fees, including any Third Party Fees, when due, or any other amounts at any time.**

The Mortgaged Property is required to be occupied by families whose incomes satisfy certain provisions of the Act and the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable income tax regulations issued under the Code as set forth in a Regulatory and Land Use Restriction Agreement, dated as of November 1, 2006 (the "Regulatory Agreement"), among the Borrower, the Issuer and the Trustee. See "THE BORROWER AND THE MORTGAGED PROPERTY" herein and "APPENDIX C-SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT" attached hereto.

Any failure of the Borrower to comply with the terms of the Regulatory Agreement may cause interest on the Bonds to be included in the gross income of the owners thereof for federal income tax purposes, possibly retroactively as well as prospectively. See "TAX MATTERS" herein. None of the Trustee, the Issuer or the Bondholders may cause an acceleration or redemption of any of the Bonds solely because of a default by the Borrower under the Regulatory Agreement or because interest on the Bonds becomes includable in the gross income of the owners thereof for federal income tax purposes. In addition, the interest rate on the Bonds will not be adjusted in the event that interest payable on the Bonds becomes includable in the gross income of the owners thereof for federal income tax purposes.

Fannie Mae has designated the Loan Servicer to service the Mortgage Loan. However, Fannie Mae may subsequently designate another eligible servicing institution to service the Mortgage Loan for Fannie Mae or may elect to service the Mortgage Loan itself. Neither Fannie Mae nor the Loan Servicer will have any responsibility to monitor the Borrower's compliance with the requirements of the Regulatory Agreement.

The Bonds are subject to mandatory tender for purchase and remarketing on July 1, 2027 (the "Initial Remarketing Date"). If the Bonds are remarketed on the Initial Remarketing 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 Remarketing Date cannot rely on this Official Statement, but rather must rely upon any disclosure documents prepared in connection with such remarketing.

ALTHOUGH THE ISSUER HAS AUTHORIZED AND APPROVED THIS OFFICIAL STATEMENT, THE ISSUER IS A CONDUIT ISSUER AND HAS NOT PREPARED OR PARTICIPATED IN THE PREPARATION OF THIS OFFICIAL STATEMENT AND IS NOT RESPONSIBLE FOR THE STATEMENTS MADE HEREIN EXCEPT FOR THE INFORMATION UNDER THE CAPTIONS "THE ISSUER" AND "LITIGATION" (TO THE EXTENT THAT THE INFORMATION UNDER SUCH CAPTIONS PERTAINS TO THE ISSUER) AND THE ISSUER WILL NOT PARTICIPATE IN OR BE RESPONSIBLE FOR THE OFFERING, SALE OR DISTRIBUTION OF THE BONDS.

The Bonds are special and limited obligations of the Issuer payable solely from and secured by, among other property comprising the Trust Estate described in the Indenture and the security for such Bonds, the following: (a) all right, title and interest of the Issuer in and to the Financing Agreement, the Mortgage Loan, including the Mortgage Note, the Security Instrument and the other Mortgage Loan Documents, and all amendments, modifications, supplements, renewals and restatements of the foregoing, reserving, however, the Reserved Rights; (b) all rights to receive payments on the Mortgage Note and under the other Mortgage Loan Documents, including all proceeds of insurance or condemnation awards; (c) all right, title and interest of the Issuer in and to the Net Bond Proceeds and the accrued interest, if any, derived from the sale of the Bonds, and all Funds, Accounts and Investments under the Indenture (including, but not limited to, moneys, documents, securities, investments, instruments and general intangibles on deposit or otherwise held by the Trustee under the Indenture), including Investment Income, but excluding moneys in the Fees Account, the Rebate Fund, the Costs of Issuance Deposit Account and the Equity Fund (including within such exclusion Investment Income retained in the Costs of Issuance Deposit Account, Investment Income retained in the Equity Fund and Investment Income retained in the Rebate Fund); (d) all documents, securities, instruments and general intangibles and any and all other rights and interests in property, whether tangible or intangible, from time to time by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture for the Bonds by the Issuer, or by anyone on its behalf, or with its written consent, to the Trustee, which is authorized by the Indenture 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; and (e) all of the proceeds of the foregoing, including, but not limited to, Investments and Investment Income (except as excluded in item (c) above).

NOTWITHSTANDING ANYTHING IN THE INDENTURE CONTAINED 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. THE BONDS SHALL CONSTITUTE A VALID CLAIM OF THE RESPECTIVE BONDHOLDERS THEREOF AGAINST THE TRUST ESTATE, WHICH IS PLEDGED TO SECURE THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS AND WHICH SHALL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THE INDENTURE. THE BONDS, TOGETHER WITH INTEREST THEREON, SHALL BE LIMITED OBLIGATIONS OF THE ISSUER GIVING RISE TO NO CHARGE AGAINST THE ISSUER'S GENERAL CREDIT AND PAYABLE SOLELY FROM, AND CONSTITUTE CLAIMS OF THE BONDHOLDERS THEREOF AGAINST ONLY, THE TRUST ESTATE. THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE DEBT OF THE ISSUER (EXCEPT TO THE EXTENT OF THE TRUST ESTATE), THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON, NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THERETO. THE ISSUER HAS NO TAXING POWER.

FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE MORTGAGE LOAN AND THE BONDS ARE SOLELY AS PROVIDED IN THE CREDIT FACILITY. THE OBLIGATIONS OF FANNIE MAE UNDER THE CREDIT FACILITY WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER-OWNED CORPORATION, AND WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES. THE BONDS ARE NOT A DEBT OF THE UNITED

STATES OF AMERICA OR ANY OTHER AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OF AMERICA OR OF FANNIE MAE. THE BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

Brief descriptions of the Bonds, the security for the Bonds, the Issuer, Fannie Mae, the Borrower, the Loan Servicer and the Mortgaged Property are included in this Official Statement together with summaries of the Indenture, the Financing Agreement, the Regulatory Agreement, the Continuing Disclosure Agreement and the Reimbursement Agreement. Such descriptions do not purport to be comprehensive or definitive. The proposed form of the Credit Facility is attached hereto as Appendix F. All references herein to the Indenture, the Financing Agreement, the Regulatory Agreement, the Continuing Disclosure Agreement, the Credit Facility and other documents are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety by reference to the forms thereof included in the Indenture and the information with respect thereto in the aforementioned documents, copies of all of which are available for inspection in the designated office of the Trustee.

## THE BONDS

### General

The Bonds are issuable only as fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof. The Bonds are dated as of the date set forth on the cover hereof and will bear interest at the rates per annum, and mature as set forth on the inside cover of this Official Statement, subject to prior redemption as described under the caption "Redemption" below.

Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve (12) thirty (30) day months and be payable on January 1 and July 1 of each year, commencing January 1, 2007 (each, an "Interest Payment Date"). The Bonds will bear interest from the Interest Payment Date next preceding the date of authentication of the Bonds; provided that if the date of authentication is an Interest Payment Date for which interest has been paid or is after the Record Date, but prior to the next Interest Payment Date, the Bonds shall bear interest from such Interest Payment Date; provided further that if the date of authentication is prior to the Record Date for the first Interest Payment Date, the Bonds shall bear interest from the Dated Date of the Bonds. Notwithstanding the foregoing, if, at the time of authentication of any Bond, interest on the Bond is in default, the Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment or, if no interest has theretofore been paid on the Bond, from the Dated Date of the Bond.

On the Initial Remarketing Date, the Bonds will be subject to mandatory tender and remarketing as described below under the caption "Mandatory Tender, Purchase and Remarketing of Bonds on Initial Remarketing Date."

The Bonds will be delivered in fully registered form only and, when issued and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Ownership interest in the Bonds may be purchased in book-entry form only. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Bondholders shall mean Cede & Co. and shall not mean the ultimate purchasers of the Bonds. Payments of the principal of and interest on the Bonds while under the Book-Entry System shall be made in accordance with the rules, regulations and procedures established by DTC in connection with such Book-Entry System. See "THE BONDS-- Book-Entry System" herein.

### Mandatory Tender, Purchase and Remarketing of Bonds

If Conversion occurs, all Bonds Outstanding on each Remarketing Date will be subject to mandatory tender, purchase and remarketing in accordance with the mandatory tender for purchase and remarketing on such Remarketing Date.

### *Notice*

Not less than 120 days prior to the scheduled Remarketing Date, the Trustee shall give written notice to the Borrower, the Issuer, the Remarketing Agent, Fannie Mae and the Loan Servicer stating that a remarketing of the Bonds is scheduled to occur on such Remarketing Date; if there is no Remarketing Agent then serving in that capacity, the Trustee shall request that the Issuer and Fannie Mae designate a successor to the Remarketing Agent as provided in the Indenture.

Not less than 60 days prior to the scheduled Remarketing Date, the Trustee shall advise Fannie Mae, the Loan Servicer and the Borrower of an estimate of the Remarketing Expenses expected to be incurred in connection with the remarketing of the Bonds (including the estimate of Remarketing Expenses furnished by the Remarketing Agent together with the estimated fees and expenses of the Trustee) and that an amount equal to the estimated Remarketing Expenses be on deposit with the Trustee as a condition to the remarketing of the Bonds.

Not less than 60 days preceding each Remarketing Date, the Trustee shall give written notice of the Remarketing Date to Fannie Mae and the Loan Servicer. Not less than 30 days prior to the scheduled Remarketing Date, the Trustee shall give written notice of tender and remarketing to the Bondholders (with a copy to Fannie Mae, the Loan Servicer, the Borrower and the Remarketing Agent) by first class mail, postage prepaid, at their respective addresses appearing on the Bond Register. The notice shall state (i) the Remarketing Date and that (a) all Outstanding Bonds are subject to mandatory tender for purchase on the Remarketing Date (b) all Outstanding Bonds must be tendered for purchase on the Remarketing Date and (c) Bondholders will not have the right to elect to retain their Bonds; (ii) the address of the office of the Trustee at which Bondholders must deliver their Bonds for purchase on the Remarketing Date and the required date of delivery; (iii) that all Outstanding Bonds will be purchased on the Remarketing Date at a purchase price equal to the principal amount of the Outstanding Bonds plus interest accrued to the Remarketing Date, and shall further state that if, after the remarketing of the Bonds, the Trustee does not have sufficient funds to purchase all of the Outstanding Bonds, all of the Outstanding Bonds shall nevertheless be purchased on the Remarketing Date or no later than the third Business Day following the Remarketing Date at a purchase price equal to the principal amount of the Outstanding Bonds plus interest accrued to the Remarketing Date; and (iv) any Bonds not tendered for purchase on the Remarketing Date will nevertheless be deemed to have been tendered for purchase and will cease to bear interest from and after the Remarketing Date. If notice is given by the Trustee as stated in this section, the failure of any Bondholder to receive such notice, or any defect in the notice, shall not affect the validity of the proceedings for the remarketing of the Bonds.

Not less than twelve (12) Business Days prior to the scheduled Remarketing Date, the Trustee shall give notice to the Borrower setting forth the amount of any deficiency in the amount required to be deposited with the Trustee to pay Remarketing Expenses.

Not less than seven (7) Business Days prior to the scheduled Remarketing Date, the Trustee shall give notice to Fannie Mae, the Loan Servicer and the Borrower if any deficiency remains in the amount required to be deposited with the Trustee to pay Remarketing Expenses.

The Trustee shall give a second written notice to Bondholders who have failed to surrender their Bonds for payment or exchange, as provided in the Indenture.

### *Remarketing*

In connection with each remarketing of the Bonds, the Remarketing Agent shall: (i) not less than 10 days before each Remarketing Date (unless, pursuant to the Indenture, the Bonds are not to be remarketed), offer for sale and use its best efforts to sell all of the Outstanding Bonds on the Remarketing Date at a purchase price equal to 100 percent of the principal amount of such Bonds plus, if such Remarketing Date is a date other than an Interest Payment Date, accrued interest on such Bonds from the preceding Interest Payment Date to which interest has been paid; and (ii) not less than four Business Days prior to each Remarketing Date, give notice, by Electronic Means, promptly confirmed in writing, to the Issuer, the Trustee, Fannie Mae, the Loan Servicer and the Borrower specifying the principal amount of Bonds, if any, it has remarketed (including Bonds to be purchased by the Remarketing Agent on the Remarketing Date for its own account), the Remarketing Rate(s) and the Remarketing Period applicable to the Bonds.



### *Conditions*

The actual sale of the Bonds on a Remarketing Date pursuant to a remarketing of the Bonds in accordance with this section is subject to the satisfaction of each of the following conditions precedent not less than four Business Days prior to the Remarketing Date:

(a) the Remarketing Agent shall have notified the Trustee pursuant to the Indenture of the remarketing of the Outstanding Bonds and that the proceeds from the remarketing of the Bonds (including proceeds of remarketing of Outstanding Bonds to be purchased by the Remarketing Agent on the Remarketing Date for its own account) or other funds equal to the amount needed to purchase the remarketed Bonds on the Remarketing Date are expected to be available to the Trustee on the Remarketing Date for deposit into the Bond Purchase Fund;

(b) there shall be on deposit with the Trustee in the Remarketing Expenses Account of the Bond Purchase Fund, from funds provided by the Borrower, the Issuer or Fannie Mae, an additional amount sufficient to pay the estimated Remarketing Expenses unless, and to the extent that, provision for the payment of the estimated Remarketing Expenses shall otherwise have been made to the satisfaction of the Trustee and the Remarketing Agent;

(c) the Issuer shall have notified the Trustee in writing that the Issuer has approved as to form and substance any disclosure document or offering materials which, in the opinion of counsel to the Issuer and the Remarketing Agent, is necessary to be used in connection with the remarketing of the Outstanding Bonds;

(d) the Trustee and the Loan Servicer shall have received Fannie Mae's written approval for the remarketing of the Bonds, of each Remarketing Rate and, if applicable, the Remarketing Period, to be in effect on and after the Remarketing Date;

(e) the Trustee shall have received written confirmation from Fannie Mae that the Credit Facility is in full force and effect and will continue in full force and effect during the ensuing Remarketing Period or that a Replacement Credit Facility will be in full force and effect during the ensuing Remarketing Period;

(f) the Trustee shall have received confirmation that the Rating Agency shall have received and approved a Cash Flow Projection and a Verification Report, each based on the Mortgage Note Rate, as revised, to reflect the interest rate(s) to be in effect with respect to the Outstanding Bonds on and after the Remarketing Date; and

(g) the Trustee shall have received written notice from the Remarketing Agent that the Remarketing Agent has received written confirmation from the Rating Agency that then current rating assigned to the Bonds will continue to be effective on the Remarketing Date.

### *Notice of Satisfaction of Conditions Precedent*

If the conditions precedent set out in the Indenture are satisfied, then the Trustee will immediately give notice to the Remarketing Agent, Fannie Mae and the Loan Servicer by Electronic Means stating that (a) all conditions precedent to the remarketing of the Outstanding Bonds have been satisfied and (b) the sale and settlement of the Bonds is expected to occur on the Remarketing Date. The Trustee shall also immediately confirm its notice in writing to the Remarketing Agent, Fannie Mae and the Loan Servicer.

### *Sale of Bonds if Conditions Precedent are Satisfied*

If the Trustee gives the notice set out in the Indenture not later than the close of business on the fourth Business Day prior to the Remarketing Date, the Remarketing Agent shall sell the Bonds to the purchasers identified by the Remarketing Agent for delivery and settlement on the Remarketing Date and the Trustee shall apply the

funds in the Remarketing Proceeds Account of the Bond Purchase Fund on the Remarketing Date to the payment of the purchase price of the Bonds.

***Purchase of Bonds by Borrower if Conditions Precedent are not Satisfied***

If the Trustee is unable to give the notice set forth in the Indenture not later than the close of business on the fourth Business Day prior to the Remarketing Date, then, unless the Bonds are otherwise purchased on the Remarketing Date (a) the Remarketing Agent shall not sell any of the Bonds on the Remarketing Date, (b) the Trustee shall, not less than four Business Days prior to the Remarketing Date, give notice of that fact to Fannie Mae by Electronic Means and (c) the Trustee shall request a Pledged Bonds Advance under the Credit Facility in accordance with its terms and cause the proceeds of such Pledged Bonds Advance to be applied so that full and timely payment of the purchase price of the Bonds is made on the Remarketing Date to the former owners of the Bonds.

***Delivery of Bonds***

Each Bondholder shall deliver its Bonds to the Trustee for purchase not later than 12:00 noon, New York Time, on the Remarketing Date.

***Undelivered Bonds***

Any Bond which is not delivered on a Remarketing Date (an "Undelivered Bond") shall be treated as a lost bond and deemed to be tendered and a new Bond may be issued in place of it pursuant to the Indenture without providing indemnity. From and after such Remarketing Date, except as provided in the Indenture, an Undelivered Bond shall cease to bear interest and no longer be considered Outstanding. In the event of the failure by an Owner to deliver a Bond for purchase on the Remarketing Date, such Owner shall not be entitled to any payment (including any interest to accrue from and after the Remarketing Date) other than the purchase price for such Undelivered Bond upon surrender of such Undelivered Bond to the Trustee or compliance with the provisions of the Indenture concerning payment of lost, stolen or destroyed Bonds, and any Undelivered Bond shall no longer be entitled to the benefits of the Indenture, except for the purpose of payment of the purchase price for such Undelivered Bond upon surrender of such Undelivered Bond or compliance with the Indenture.

***Payment of Accrued Interest; Payment of Principal***

Accrued interest payable to the Remarketing Date on the Outstanding Bonds as provided in the Indenture shall be paid to the owners of the Outstanding Bonds as of the next Record Date in the same manner as if the Bonds were not purchased. The principal portion of the purchase price of the Outstanding Bonds shall be payable only upon surrender of such Bonds pursuant to the Indenture.

**Optional Redemption**

***Optional Redemption on and after July 1, 2021 and prior to Initial Remarketing Date***

The Bonds are not subject to optional redemption prior to July 1, 2021. On and after July 1, 2021 and prior to the Initial Remarketing Date, the Bonds are subject to optional redemption in whole or in part only upon optional prepayment of the Mortgage Loan in whole or in part in accordance with the Mortgage Loan Documents. Optional redemption will occur on the first day of any month for which timely notice of redemption can be given at the respective redemption prices set forth below (expressed as percentages of the principal amounts of the Bonds called for redemption), plus accrued interest, if any, to the Redemption Date:

Redemption Period (both dates inclusive)	Redemption Prices (expressed as a percentage)
July 1, 2021 through June 30, 2022	102%
July 1, 2022 through June 30, 2023	101%
July 1, 2023 and thereafter	100%

***Optional Redemption After Initial Remarketing Date***

If the Bonds then Outstanding are remarketed on the Initial Remarketing Date or, if applicable, any subsequent Remarketing Date for a Remarketing Period:

(i) of 10 years or more, such Bonds shall be subject to optional redemption upon optional prepayment of the Mortgage Loan in accordance with the Mortgage Loan Documents; such redemption shall occur on the first day of any month on or after the seventh anniversary of the most recent Remarketing Date, at a redemption price equal to (a) 102% of the principal amount of such Bonds if the redemption occurs in the period beginning on the seventh anniversary of the most recent Remarketing Date and ending on the day prior to the eighth anniversary of the most recent Remarketing Date, (b) 101% of the principal amount of such Bonds if the redemption occurs in the period beginning on the eighth anniversary of the most recent Remarketing Date and ending on the day prior to the ninth anniversary of the most recent Remarketing Date and (c) 100% of the principal amount of such Bonds if the redemption occurs on or after the ninth anniversary of the most recent Remarketing Date, in each case together with accrued interest to the applicable Redemption Date;

(ii) less than 10 years but not less than four years, such Bonds shall be subject to optional redemption upon optional prepayment of the Mortgage Loan in accordance with the Mortgage Loan Documents; such redemption shall occur on the first day of any month on or after the second anniversary of the most recent Remarketing Date, at a redemption price equal to (a) 102% of the principal amount of such Bonds if the redemption occurs in the period beginning on the second anniversary of the most recent Remarketing Date and ending on the day prior to the third anniversary of the most recent Remarketing Date, (b) 101% of the principal amount of such Bonds if the redemption occurs in the period beginning on the third anniversary of the most recent Remarketing Date and ending on the day prior to the fourth anniversary of the most recent Remarketing Date and (c) 100% of the principal amount of such Bonds if the redemption occurs on or after the fourth anniversary of the most recent Remarketing Date, in each case together with accrued interest to the applicable Redemption Date;

(iii) greater than one year but less than four years, such Bonds shall be subject to optional redemption upon optional prepayment of the Mortgage Loan in accordance with the Mortgage Loan Documents, on the first day of any month on or after the first anniversary of the most recent Remarketing Date at a redemption price equal to 100.5% of the principal amount of such Bonds plus accrued interest to the applicable Redemption Date; or

(iv) of one year or less, such Bonds shall not be subject to optional redemption prior to the next succeeding Remarketing Date or maturity date of such Bonds, as appropriate.

**IF THE BONDS ARE REMARKETED ON THE INITIAL REMARKETING 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 REMARKETING DATE CANNOT RELY ON THIS OFFICIAL STATEMENT, BUT RATHER MUST RELY UPON ANY DISCLOSURE DOCUMENTS PREPARED IN CONNECTION WITH SUCH REMARKETING.**

### *Available Moneys Requirement*

Optional redemption pursuant to the Indenture (whether before or after the Initial Remarketing Date) is not permitted unless (a) the redemption is effected solely with Available Moneys or (b) Fannie Mae provides its prior written consent to a redemption with amounts other than Available Moneys. Notwithstanding any other provision of the Indenture to the contrary, optional redemption of the Bonds will not be permitted unless on or before the Redemption Date, the Trustee has on hand Available Moneys in an amount sufficient to pay the End Period Payment on the Redemption Date. Neither the Issuer, Fannie Mae nor the Loan Servicer will have any responsibility or liability to provide funds to be included in the End Period Payment.

### **Special Mandatory Redemption**

The Bonds are subject to special mandatory redemption, in whole or in part, as set forth below. Unless otherwise specified in any paragraph below, each special mandatory redemption will be (a) effected on the earliest practicable Redemption Date for which timely notice of redemption can be given pursuant to the Indenture following the occurrence of the event requiring such redemption and (b) at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest on such Bonds to the Redemption Date. Bonds subject to special mandatory redemption in part will be redeemed in Authorized Denominations; if the Trustee receives an amount for the special mandatory redemption of the Bonds which is not equivalent to an Authorized Denomination, Bonds will be redeemed in an amount equal to the next lowest whole integral of an Authorized Denomination to the amount received by the Trustee, with any excess to be held in the Redemption Account. The Bonds will be redeemed:

(i) in part, in the event and to the extent that the Borrower makes a Pre-Conversion Loan Equalization Payment;

(ii) in part, in the event and to the extent that amounts remaining in the Mortgage Loan Fund are transferred to the Redemption Account pursuant to the Indenture for application to the redemption of Bonds;

(iii) in whole, if the Loan Servicer does not issue the Conversion Notice on or before the Termination Date, unless Fannie Mae shall otherwise direct the Trustee and the Loan Servicer in writing;

(iv) in whole or in part, at the direction of Fannie Mae, in the event and to the extent that proceeds of insurance from any casualty to, or proceeds of any award from any condemnation, or any award as part of a settlement in lieu of condemnation of, the Development (in any of such events, "Casualty Proceeds") are not applied in accordance with the Financing Agreement and the Mortgage Loan Documents, after payment of the expenses, if any, of collecting the Casualty Proceeds, to restoring or repairing the Mortgaged Property or, with the prior written consent of Fannie Mae, otherwise used for improvements to the Mortgaged Property, or applied to the reimbursement of amounts owed to Fannie Mae pursuant to the Reimbursement Agreement. Such special mandatory redemption will be:

A. (1) in whole, following the involuntary destruction or loss of the Mortgaged Property in its entirety or nearly in its entirety, (2) funded with the Casualty Proceeds, with funds on deposit in the Funds and Accounts (other than the Rebate Fund, the Costs of Issuance Deposit Account, the Equity Fund and the Fees Account) and with funds provided by the Borrower pursuant to the Financing Agreement, provided that the Trustee will be entitled to an Advance under the Credit Facility, in accordance with its terms, to the extent that the sum of the Casualty Proceeds, funds on deposit in the Funds and Accounts (other than the Rebate Fund, the Costs of Issuance Deposit Account, the Equity Fund and the Fees Account) and funds provided by the Borrower pursuant to the Financing Agreement are insufficient to redeem all of the Bonds Outstanding and (3) deemed a corresponding involuntary prepayment of the Mortgage Loan; or

B. (1) in part, following the involuntary destruction or loss of the Mortgaged Property in part, and (2) funded with the Casualty Proceeds, (3) in a principal amount equal to the next lowest whole integral of an Authorized Denomination to which such Proceeds can be rounded with any remaining Proceeds held in the Redemption Account; any such redemption in part will be deemed a corresponding involuntary prepayment of the Mortgage Loan in part;

(v) in whole or in part, at the written direction of, or with the prior written consent of, Fannie Mae given to the Trustee and in the amount specified by Fannie Mae if the redemption is in part, as follows:

A. in whole, prior to the Conversion Date, or in whole or in part on or after the Conversion Date, upon the occurrence of an Event of Default by the Borrower under (and as respectively defined in) the Security Instrument, the Credit Facility Agreement or the Financing Agreement; or

B. in whole, upon the occurrence of a "Borrower Default" (including the event described in paragraph (iii) above) as that term is defined in the Construction Phase Financing Agreement; or

(vi) in whole or in part, after the Conversion Date, in the event and to the extent that excess amounts are transferred to the Redemption Account pursuant to the provisions of the Indenture described in "APPENDIX B-SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – The Revenue Fund-Disbursements from the Accounts of the Revenue Fund."

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## Mandatory Sinking Fund Redemption

### *On or Prior to Initial Remarketing Date*

The Bonds are subject to mandatory sinking fund redemption in part, by lot, prior to maturity, from sinking fund installments on the dates and in the principal amounts set forth in the table below at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, plus accrued interest to the Redemption Date, but without premium:

#### Bonds Maturing July 1, 2039

Redemption Date	Principal Amount	Redemption Date	Principal Amount
January 1, 2010	\$ 60,000	January 1, 2019	75,000
July 1, 2010	45,000	July 1, 2019	75,000
January 1, 2011	45,000	January 1, 2020	80,000
July 1, 2011	50,000	July 1, 2020	80,000
January 1, 2012	50,000	January 1, 2021	80,000
July 1, 2012	50,000	July 1, 2021	85,000
January 1, 2013	55,000	January 1, 2022	90,000
July 1, 2013	55,000	July 1, 2022	90,000
January 1, 2014	55,000	January 1, 2023	95,000
July 1, 2014	55,000	July 1, 2023	95,000
January 1, 2015	60,000	January 1, 2024	100,000
July 1, 2015	60,000	July 1, 2024	100,000
January 1, 2016	60,000	January 1, 2025	105,000
July 1, 2016	65,000	July 1, 2025	110,000
January 1, 2017	65,000	January 1, 2026	110,000
July 1, 2017	70,000	July 1, 2026	110,000
January 1, 2018	70,000	January 1, 2027	120,000
July 1, 2018	70,000	July 1, 2027†	120,000

† \$7,160,000 principal amount of Bonds maturing on July 1, 2039 are subject to mandatory tender on July 1, 2027.

### *After Initial Remarketing Date*

After the Initial Remarketing Date, the Bonds Outstanding shall be subject to mandatory sinking fund redemption in part, by lot, prior to maturity in principal amounts to be determined by the Remarketing Agent and the Loan Servicer upon the remarketing of the Outstanding Bonds on each Remarketing Date, so as to maintain payments on the Mortgage Loan, and amortization of principal of the Mortgage Loan, consistent with a term equivalent to the number of months remaining to the maturity date of the Mortgage Loan. The redemption price shall be equal to 100% of the principal amount of Bonds to be redeemed (and, therefore, without premium), plus accrued interest to the Redemption Date. Not less than two Business Days prior to each Remarketing Date, the Loan Servicer shall prepare and provide to the Trustee, the Borrower, the Remarketing Agent and Fannie Mae an amortization schedule for the Mortgage Note showing substantially level monthly debt service on the Mortgage Note based on the principal amount of the Mortgage Note outstanding on the applicable Remarketing Date and the interest rate applicable under the Mortgage Note based on the remarketing of the Bonds. Based on that schedule, the Remarketing Agent will provide a schedule showing the sinking fund installments for the Bonds on each January 1 and July 1 following the Remarketing Date. The amortization schedule shall become effective on the applicable Remarketing Date and shall be binding on the Trustee, the Issuer, the Borrower, the Loan Servicer, Fannie Mae and the Bondholders, absent manifest error in the amortization schedule.

**IF THE BONDS ARE REMARKETED ON THE INITIAL REMARKETING 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 REMARKETING DATE CANNOT RELY ON THIS OFFICIAL**

**STATEMENT, BUT RATHER MUST RELY UPON ANY DISCLOSURE DOCUMENTS PREPARED IN CONNECTION WITH SUCH REMARKETING.**

***Adjustment for Redemptions From Other Than Sinking Fund Installments***

If less than all of the Bonds of a specific maturity shall have been redeemed other than from sinking fund installments applicable to such Bonds, the principal amount of Bonds of such maturity to be redeemed in each year from sinking fund installments will be decreased pro rata (in \$5,000 amounts) among all sinking fund installments applicable to such Bonds. Any such proportional adjustment to the amounts to be redeemed will be confirmed in writing to the Trustee by the Loan Servicer.

**Notice of Redemption**

Notice of the call for redemption of any Bonds will be given by the Trustee in the name and on behalf of the Issuer by mail on the earliest practicable date after the Trustee receives notice that a redemption is to occur but in any event not less than fifteen (15) nor more than twenty (20) days prior to the specified Redemption Date, to the Registered Owner of each Bond to be redeemed at the address of such Registered Owner as shown on the Bond Register. Notwithstanding the foregoing, so long as the Book-Entry System is maintained in effect, the Trustee must give notice of redemption only to the entity designated in the Representation Letter. The Trustee may give conditional notice of redemption prior to the receipt of all funds necessary to effect the redemption, provided that redemption shall not occur unless and until the Trustee has on deposit and available or, if applicable, has received, all of the funds necessary to effect the redemption (and only if such funds constitute Available Moneys as and to the extent required by the Indenture). The Trustee shall cause a second notice of redemption to be sent by mail within ten (10) days after the 30th day following the Redemption Date to any Bondholder who has not submitted its Bond to the Trustee for payment on or before the 30th day following the Redemption Date.

NEITHER FAILURE TO GIVE OR RECEIVE ANY NOTICE OF REDEMPTION AS REQUIRED UNDER THE INDENTURE, FAILURE TO GIVE NOTICE TIMELY NOR ANY DEFECT IN ANY NOTICE (OR IN ITS CONTENT OR IN THE MANNER IN WHICH NOTICE IS GIVEN) WILL AFFECT THE VALIDITY OR SUFFICIENCY OF ANY PROCEEDINGS FOR THE REDEMPTION OF THE BONDS TO BE REDEEMED.

**Revocation of Notice of Redemption; Cancellation of Redemption**

The Trustee shall revoke any notice of optional redemption if (a) the requirements of the Indenture have not been satisfied or (b) at the direction of Fannie Mae if Fannie Mae has notified the Trustee in writing that a default under any Credit Facility Agreement has occurred. The Trustee shall revoke any notice of optional or special mandatory redemption if the Trustee does not, on a Redemption Date, have sufficient funds, as permitted or required by the Indenture, to redeem the Bonds to be redeemed on such Redemption Date. The Trustee shall give notice of revocation by the same means as is provided in the Indenture for the giving of notice of redemption, or by Electronic Means confirmed in writing. The redemption shall be cancelled once the Trustee has given notice of revocation.

**Redemption Payments**

Notice of redemption having been given in the manner described above and as provided in the Indenture and all conditions precedent to redemption having been satisfied, the Bonds so called for redemption will become due and payable on the Redemption Date, and interest on the Bonds will cease to accrue from and after the Redemption Date; the holders of the Bonds so called for redemption will thereafter no longer have any security or benefit under the Indenture except to receive payment of the redemption price for such Bonds upon surrender of such Bonds to the Trustee. Except during any period in which the Bonds are subject to the Book-Entry System, no payment will be made by the Trustee with respect to any Bonds called for redemption until such Bond is presented for payment or cancellation or the Trustee receives the items required by the Indenture with respect to any mutilated, lost, stolen or destroyed Bond.

During any period in which the Bonds are subject to the Book-Entry System, the rules, regulations and practices governing the Book-Entry System will govern whether and the extent to which the Trustee will make payments on any Bond called for redemption with or without surrender of the Bond (or portion of the Bond) to be redeemed, and the circumstances (if any) under which the Issuer is required to execute, and the Trustee is to authenticate and deliver, a new Bond in exchange for the unredeemed portion of any Bond called for redemption in part. All moneys held by or on behalf of the Trustee for the redemption of particular Bonds will be held in trust for the account of the holders of the Bonds to be redeemed, as provided in and in accordance with the Indenture. CUSIP number identification with appropriate dollar amounts for each CUSIP number also will accompany all redemption payments.

#### **Selection of Bonds To Be Redeemed Upon Partial Redemption of Bonds**

Other than with respect to mandatory sinking fund redemptions, if less than all of the Outstanding Bonds are called for redemption, Bonds to be redeemed will be selected by the Trustee on a reasonably proportionate basis, in minimum amounts of \$5,000, from among all then existing maturities of the Bonds Outstanding. In the selection process any Purchased Bonds Outstanding will be called for redemption before any other Bonds are selected for redemption. "Reasonably proportionate basis" is to be determined and effectuated as nearly as practicable by multiplying the total amount of money available to redeem Bonds by the ratio which the principal amount of Bonds Outstanding in each maturity bears to the principal amount of all of the Bonds Outstanding, and within a maturity by lot or in such other manner as the Trustee shall, in its sole discretion, deem fair. In the case of an optional redemption from an optional prepayment of the Mortgage Loan, the Trustee will make its selection immediately following receipt of notice of the optional prepayment. In the case of a special mandatory redemption, the Trustee will make its selection immediately following:

- (i) a transfer of funds pursuant to the Indenture with respect to a special mandatory redemption from excess Bond proceeds remaining following completion of construction of the Mortgaged Property;
- (ii) a transfer of funds pursuant to the Indenture with respect to a special mandatory redemption using excess cash held under the Indenture;
- (iii) receipt of funds with respect to a special mandatory redemption as a result of (A) the Loan Servicer not issuing the Conversion Notice on or before the Termination Date, unless Fannie Mae shall otherwise direct the Trustee and the Loan Servicer in writing, (B) a casualty or condemnation or (C) certain defaults as set forth in subparagraph (v) of the heading entitled "THE BONDS -- Special Mandatory Redemption" above; or
- (iv) receipt of the Borrower's Pre-Conversion Loan Equalization Payment triggering a special mandatory redemption of Bonds pursuant to the Indenture.

With respect to any special mandatory redemption in part (other than from excess cash held under the Indenture, as described in paragraph (ii) above or as a result of the Loan Servicer not issuing the Conversion Notice, as described in paragraph (ii)(A) above) pursuant to the Indenture, the sufficiency of the scheduled cash flow from the monthly payments to be made under the Mortgage Note and Investment Income with respect to the General Account to pay the principal of and interest on the Bonds and the Third Party Fees (to the extent included in the Mortgage Note Rate) when due and payable, following such redemption, shall be established by a then current Cash Flow Projection verified by a Verification Report (upon each of which the Trustee may rely), each prepared and delivered to the Trustee, Fannie Mae and the Loan Servicer, at the Borrower's expense, at least fifteen (15) days prior to the Redemption Date. Absent a Cash Flow Projection, the Bonds to be redeemed will be redeemed proportionately. In the event that any Bonds of the same maturity are to be redeemed in part, the Trustee will assign to each Bond then Outstanding a distinctive number for each \$5,000 of the principal amount of such Bond and from the numbers so assigned to such Bonds, the Trustee will randomly select as many numbers as, at \$5,000 for each number, will equal the principal amount of such Bonds to be redeemed. The Bonds within a maturity that are to be redeemed will be the Bonds to which are assigned the numbers selected by the Trustee, but only so much of the principal amount of each such Bond of a denomination of more than \$5,000 will be redeemed as will equal \$5,000 for each number assigned to it and so selected. Bonds may be redeemed only in Authorized Denominations. The



Bonds selected for redemption as described in this paragraph and in the Indenture will not be deemed Outstanding. If less than the entire principal amount of a Bond is called for redemption, the Issuer is to execute and the Trustee is to authenticate and deliver, upon surrender of such Bond, without charge to the holder of such Bond, in exchange for the unredeemed principal amount of such Bond, Bonds of the same maturity, interest rate, principal amount, series and tenor in any *Authorized Denomination* in the amount of the unredeemed principal of the surrendered Bonds.

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

Unless otherwise expressly provided in the Indenture, and subject to the provisions of the Indenture described below under the caption "Special Purchase in Lieu of Redemption," if at any time Available Moneys are held in any Fund or Account to be used to redeem Bonds, in lieu of such redemption the Borrower may, in writing and with the written consent of the Credit Provider, direct the Trustee to use part or all of such moneys to purchase, for the account of the Borrower, Bonds which would otherwise be subject to redemption from such moneys. The purchase price of such Bonds (excluding accrued interest, but including any brokerage and other charges) shall not exceed the applicable redemption price of the Bonds which would be redeemed but for the operation of the provision of the Indenture described in this paragraph (with accrued interest on any such Bond to be paid from the same Fund or Account from which accrued interest would be paid upon the redemption of such Bond). Any such purchase must be completed prior to the time notice would otherwise be required to be given in order to redeem the Bonds and may not occur, without the consent of the Trustee, after a Record Date. All Bonds so purchased will be canceled by the Trustee and the face amount of the Bonds so purchased will be applied as a credit against the Issuer's obligation to redeem such Bonds from such moneys. Savings resulting from the purchase of Bonds at less than their respective redemption prices will be used to purchase or redeem additional Bonds to the extent permitted by the provisions of the Indenture. The Borrower may, at the expense of the Borrower and with the consent of Fannie Mae, direct the Trustee to request the submission of tenders prior to making the purchases described in this paragraph. Notice of acceptance of tenders will be given by first class mail, postage prepaid, to all registered Bondholders, or, in the case of Book-Entry Bonds, to DTC, or any successor Securities Depository. The Borrower may specify the maximum and minimum period of time which will transpire between the date upon which such request for tenders is to be given and the date upon which such tenders are to be accepted. No tenders will be considered or accepted at any price exceeding the price described in this paragraph. The Trustee will accept bids with the lowest price and in the event the moneys available for purchase pursuant to such tenders are not sufficient to permit acceptance of all tenders and if there are tenders at an equal price above the amount of moneys available for purchase, then the Trustee will select by lot, in such manner as it shall determine in its sole discretion, the Bonds tendered which shall be purchased.

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

If all Bonds Outstanding are called for redemption in whole under the circumstances described in subparagraphs (iii) or (v) of the heading entitled "THE BONDS—Special Mandatory Redemption" above at any time that the Construction Phase Credit Facility is in effect, the Bonds may, in lieu of such redemption, be purchased ("Special Purchase Bonds") by the Trustee, at the written direction of the Construction Phase Credit Facility Provider to the Trustee, for the account of the Construction Phase Credit Facility Provider. Any purchase of the Bonds pursuant to this provision will be in whole and not in part and will be made on the date the Bonds are otherwise scheduled to be redeemed (the "Special Purchase Date"). The purchase price of the Special Purchase Bonds will be equal to the principal amount of the Special Purchase Bonds, plus accrued interest, if any, on the Special Purchase Bonds to the Special Purchase Date. The payment source will consist solely of funds to be advanced by Fannie Mae under the Credit Facility together with the funds otherwise available under the Indenture to otherwise pay the redemption price of the Special Purchase Bonds, as directed by Fannie Mae.

### **Book-Entry System**

The Bonds initially will be issued solely in Book-Entry form to be held in the Book-Entry only system maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such Book-Entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided herein with respect to tenders by Beneficial Owners of Beneficial Ownership Interests, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Indenture.

**The following information about DTC and the Book-Entry only system applicable to the Bonds has been supplied by DTC. None of the Issuer, the Trustee, the Borrower, Fannie Mae, the Underwriter or the Remarketing Agent makes any representations, warranties or guarantees with respect to its accuracy or completeness.**

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Bonds Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Bonds Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Bonds Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Bonds and Exchange Commission. More information about DTC can be found at <http://www.dtcc.com/> and <http://www.dtc.org/>.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the

Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Principal, interest and redemption 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 Issuer or Agent, on 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 nor its nominee, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer and/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, the Trustee the Remarketing Agent and the Borrower. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer or the Borrower, with the consent of the other, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

**NEITHER THE ISSUER, THE BORROWER, FANNIE MAE, THE TRUSTEE, THE LOAN SERVICER OR THE CONSTRUCTION PHASE FACILITY PROVIDER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER, EXCEPT AS PROVIDED WITH RESPECT TO THE PURCHASE OF A BENEFICIAL OWNERSHIP INTEREST, OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A HOLDER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS, EXCEPT AS PROVIDED WITH RESPECT TO THE PURCHASE OF A BENEFICIAL OWNERSHIP INTEREST, OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.**

Each Beneficial Owner for whom a Direct Participant or Indirect Participant acquires an interest in the Bonds, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, to have all notices of redemption, elections to tender Bonds or other communications to or by DTC which may affect such Beneficial Owner forwarded in writing by such Direct Participant or Indirect Participant, and to have notification made of all debt service payments.

Beneficial Owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the Bonds.

The Issuer cannot and does not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of debt service on the Bonds made to DTC or its nominee as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

#### ***Removal from the Book-Entry System.***

In the event the Bonds are removed from the Book-Entry System, the principal of and the interest on the Bonds shall be payable to the persons in whose names the Bonds are registered on the Bond Register on the applicable Record Date. Payments of interest on the Bonds shall be made to the Registered Owners of the Bonds (as determined at the close of business on the Record Date next preceding the applicable Interest Payment Date) by check drawn upon the Trustee and mailed by first class mail, postage prepaid, on the Interest Payment Date to the addresses of such Registered Owners as they appear on the Bond Register or to such other address as may be furnished in writing by any Registered Owner to the Trustee prior to the applicable Record Date. The principal amount of any Bond and premium, if any, together with interest payable on any Bond Payment Date (other than interest payable on a regularly scheduled Interest Payment Date) will be made by check only upon presentation and surrender of the Bond on or after its maturity date or date fixed for purchase, redemption or other payment at the office of the Trustee designated by the Trustee for that purpose. Notwithstanding the foregoing, payment of principal of, premium, if any, and interest on any Bond shall be made by wire transfer to any account within the United States of America designated by a Bondholder owning \$1,000,000 or more in aggregate principal amount of Bonds (if requested in writing of the Trustee by such Bondholder not less than five (5) days prior to the applicable Bond Payment Date and if such Bondholder otherwise complies with the reasonable requirements of the Trustee). A request for wire transfer may specify that it is effective with respect to all succeeding payments of principal, premium, if any, and interest and will be so effective unless and until rescinded in writing by the Bondholder at least five (5) days prior to the Record Date for the first Bond Payment Date to which such rescission is designated to apply. If interest on the Bonds is in default, the Trustee shall, prior to payment of interest, establish a special record date (the "Special Record Date") for such payment, which Special Record Date shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment. Payment of such defaulted interest shall then be made by check or wire transfer, as described above, mailed or remitted to the persons in whose names the Bonds are registered on the Special Record Date at the addresses or accounts of such persons shown on the Bond Register.

## **SECURITY**

### **Pledge of Trust Estate to Secure the Bonds**

Pursuant to the Indenture, the Issuer has assigned and granted a security interest in, and pledged, the property described below, to the Trustee, for the benefit of the Bondholders and to Fannie Mae, to secure the payment of the principal of, premium, if any, interest on and the purchase price of the Bonds when the same become due and payable and to secure the payment of all amounts owed to Fannie Mae under the Credit Facility Agreement and the Mortgage Loan Documents (the "Trust Estate"):

(a) all right, title and interest of the Issuer in and to the Financing Agreement, the Mortgage Loan, including the Mortgage Note, the Security Instrument and the other Mortgage Loan Documents, and all amendments, modifications, supplements, renewals and restatements of the foregoing, reserving, however, the Reserved Rights;

(b) all rights to receive payments on the Mortgage Note and under the other Mortgage Loan Documents, including all proceeds of insurance or condemnation awards;

(c) all right, title and interest of the Issuer in and to the Net Bond Proceeds and the accrued interest, if any, derived from the sale of the Bonds, and all Funds, Accounts and Investments under the Indenture (including, but not limited to, moneys, documents, securities, investments, instruments and general intangibles on deposit, or otherwise held by the Trustee under the Indenture), including Investment Income, but excluding moneys in the Fees Account, the Rebate Fund, the Costs of Issuance Deposit and the Equity Fund (including within such exclusion Investment Income retained in the Costs of Issuance Deposit Account, Investment Income retained in the Equity Account and Investment Income retained in the Rebate Fund);

(d) all documents, securities, instruments and general intangibles and any and all other rights and interests in property, whether tangible or intangible, from time to time by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture for the Bonds by the Issuer, or by anyone on its behalf, or with its written consent, to the Trustee, which is authorized by the Indenture 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; and

(e) all of the proceeds of the foregoing, including, but not limited to, Investments and Investment Income (except as excluded in paragraph (c) above).

#### **Credit Facility**

Certain "Required Mortgage Payments" under the Mortgage Note (effectively, the monthly payments of principal and interest on the Mortgage Note net of the monthly fees payable to Fannie Mae and net of the monthly fees payable to the Loan Servicer after Conversion) will be secured by the Credit Facility. The Required Mortgage Payments, if made timely and in full by the Borrower, are intended to be sufficient, together with money on deposit with the Trustee pursuant to the Indenture and certain Investment Income, to pay, when due, the semi-annual interest or principal and interest on the Bonds. The Credit Facility may be accessed by the Trustee if the Borrower, in any month, fails to make a Required Mortgage Payment. Under the Credit Facility, the Trustee is to present certificates to Fannie Mae in order to receive Advances from Fannie Mae, and is to cause moneys received from Fannie Mae to be applied for the purposes specified in the Indenture. In the event that the Trustee shall have received any Advance from Fannie Mae under the Credit Facility, and thereafter amounts are received by the Trustee from the Borrower or other source, which later received amounts are in payment of amounts satisfied by the Advance under the Credit Facility, then such later received amounts are to be promptly reimbursed to Fannie Mae to the extent of the amount so paid by Fannie Mae. The Credit Facility is an irrevocable obligation of Fannie Mae. A form of the Credit Facility proposed to be delivered by Fannie Mae is attached hereto as Exhibit F. **Each purchaser of the Bonds should be aware that the Credit Facility does not guarantee payment of principal of, premium, if any, or interest on the Bonds. The Credit Facility only provides that payments corresponding to the "Required Mortgage Payments" (as defined in the Credit Facility) due under the Mortgage Note will be made by Fannie Mae if not made by the Borrower.**

Under the Indenture, the Trustee has covenanted that it will not, without the prior written consent of the Registered Owners of all of the Bonds then Outstanding, transfer, assign or release the Credit Facility until the principal of and interest on the Bonds shall have been paid or duly provided for in accordance with the terms of the Indenture, except (a) to a successor Trustee or (b) to Fannie Mae upon expiration or other termination of the Credit Facility in accordance with its terms, including termination on its stated expiration date or (c) upon payment under the Credit Facility of the full amount payable under the Credit Facility. If at any time during the term of the Credit Facility, a successor Trustee is appointed and qualified under the Indenture and the Credit Facility is not assignable or transferable to the successor Trustee, the resigning Trustee is to request that Fannie Mae deliver a new Credit

Facility, substantially identical to the Credit Facility, to the successor Trustee for the benefit of the holders of the Bonds. The resigning Trustee is to continue to serve as Trustee under the Indenture until such time as the new Credit Facility is delivered to the successor Trustee.

Information regarding Fannie Mae is contained herein under the caption "FANNIE MAE."

**FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE MORTGAGE LOAN AND THE BONDS ARE SOLELY AS PROVIDED IN THE CREDIT FACILITY. THE OBLIGATIONS OF FANNIE MAE UNDER THE CREDIT FACILITY WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER-OWNED CORPORATION, AND WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR ANY OTHER AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OF AMERICA OR OF FANNIE MAE. THE BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.**

#### **INVESTMENT OF AMOUNTS HELD UNDER THE INDENTURE**

Net Bond Proceeds on deposit in the Mortgage Loan Fund and certain money on deposit in the Revenue Fund will be invested by the Trustee in Permitted Investments, as defined in the Indenture. See "APPENDIX A—CERTAIN DEFINITIONS." As set forth in such definition, "Permitted Investments" may include one or more Investment Agreements, as defined in the Indenture. The Issuer and the Underwriter make no representation as to the ability of the provider of an investment agreement to make payments thereunder in amounts necessary to make scheduled payments of debt service on the Bonds. See "BONDHOLDERS' RISKS—Failure of Provider of the Investment Agreement to Make Payment Thereunder" herein.

#### **BONDHOLDERS' RISKS**

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

#### **Failure to Satisfy Conditions to Conversion**

If the Conversion Notice is not issued on or before the Termination Date, then unless Fannie Mae directs otherwise (a) Conversion will not occur, (b) the Bonds will be subject either to special mandatory redemption not later than 20 days after the Termination Date or to purchase by or for the account of the Construction Phase Credit Facility Provider and (c) the Credit Facility will terminate in accordance with its terms. The events described in the previous sentence could occur, for example, upon the Borrower's failure to complete the construction of the Mortgaged Property or otherwise satisfy the Conditions to Conversion (as set forth in the Construction Phase Financing Agreement) on or before the Termination Date.

#### **Construction Phase Credit Facility Provider**

Pursuant to the Construction Phase Financing Agreement, the Construction Phase Credit Facility Provider has provided to Fannie Mae the Construction Phase Credit Facility in the form of a letter of credit (the "Letter of Credit"). The Letter of Credit is to be used to reimburse Fannie Mae in the event Fannie Mae is required to pay amounts under the Credit Facility during the Construction Phase. Under the terms of the Construction Phase Financing Agreement, Fannie Mae will be authorized, subject to the terms and conditions of the Construction Phase Financing Agreement, to draw on the Letter of Credit in certain events, including, but not limited to, (a) a default by the Borrower under the Mortgage Note, (b) the failure of the Borrower to pay any amount when due to the Issuer or the Trustee and the failure of the Construction Phase Credit Facility Provider to pay such amount on behalf of the

Borrower within three Business Days after the date on which the Construction Phase Credit Facility Provider is given written notice from the Loan Servicer or Fannie Mae of such nonpayment, and (c) the failure to satisfy the Final Conditions to Conversion on or before the Termination Date. In addition, the Construction Phase Credit Facility Provider may direct Fannie Mae, upon the occurrence of a default under the Construction Phase Credit Reimbursement Agreement, to draw on the Letter of Credit to effect a corresponding special mandatory redemption or purchase of the Bonds in whole with funds drawn on the Credit Facility. The Letter of Credit does not secure the Bonds.

### **Bankruptcy of Borrower**

In the event of a bankruptcy filing by or against the Borrower, all or a portion of any payments made to Bondholders within ninety one (91) days of the filing of such bankruptcy could be recovered from Bondholders by the order of a bankruptcy judge finding that such payments to Bondholders were "preferential" payments within the meaning of Section 547 of the United States Bankruptcy Code. In the event Bondholders were ordered to return payments previously received, Bondholders' recourse, through the Trustee, would be to the obligations of Fannie Mae to the Trustee as and to the extent provided in the Credit Facility.

The United States Bankruptcy Code automatically stays enforcement of any liens, such as the Security Instrument, against the property of a bankrupt estate, even if such liens arose prior to the filing of the bankruptcy petition. In the event of the bankruptcy of the Borrower, the Trustee's ability to enforce the provisions of the Security Instrument would be substantially impaired, absent relief by the bankruptcy court from the automatic stay. In the event of such a stay, Bondholders recourse, through the Trustee, would be to the obligations of Fannie Mae to the Trustee as and to the extent provided in the Credit Facility.

### **Failure To Complete Mortgaged Property**

Under certain circumstances, the Bonds are subject to early redemption. Among such circumstances are failure to complete the construction of the Mortgaged Property or otherwise satisfy the Final Conditions to Conversion (as set forth in the Construction Phase Financing Agreement) prior to the Termination Date. Prior to the Conversion Date, upon the occurrence of a default under the Construction Phase Credit Documents (including the Construction Phase Credit Reimbursement Agreement), the Construction Phase Credit Facility Provider can direct Fannie Mae to draw on the Letter of Credit to effect a corresponding special mandatory redemption of the Bonds in whole. See "THE BONDS – Special Mandatory Redemption" herein.

### **Reduction in Authorized Mortgage Loan Amount**

The Bonds are subject to early redemption in part if the Mortgage Loan is prepaid in part in order to satisfy Fannie Mae's underwriting criteria for determining the final principal amount of the Mortgage Loan as of the Conversion Date. This would occur, for example, if the net income from the Mortgaged Property does not provide sufficient debt service coverage to support a loan amount equal to the original principal amount of the Mortgage Loan. In such event, the Borrower must, as a Final Condition to Conversion, prepay the Mortgage Loan in an amount sufficient to reduce the principal amount of the Mortgage Loan to the amount permissible under the Construction Phase Financing Agreement. Such prepayment of the Mortgage Loan will result in a mandatory redemption of the Bonds in an amount equal to the amount of the prepayment at a price of par plus accrued interest thereon. If the Borrower fails to make such prepayment, a Final Condition to Conversion will not have been satisfied and the Bonds will be subject to special mandatory redemption in whole. No premium will be paid in connection with any such redemption.

### **No Acceleration or Redemption upon Loss of Tax Exemption**

The Borrower has covenanted and agreed to comply with the provisions of the Code relating to the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds. The financing documents contain provisions and procedures designed to assure compliance with such covenant. See "TAX MATTERS" herein. However, the Borrower's covenant to comply with the requirements of the Code is non recourse to the Borrower, and the Borrower's liability is limited to the revenues and assets comprising the

Mortgaged Property. Furthermore, the Borrower's failure to comply with such provisions will not constitute a default under the Mortgage Loan and will not give rise to a redemption or acceleration of the Bonds (unless Fannie Mae determines, at its option and in its sole and absolute discretion, that such failure will constitute such a default) and is not the basis for an increase in the rate of interest payable on the Bonds. Consequently, interest on the Bonds may become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds by reason of the Borrower's failure to comply with the requirements of federal tax law, and neither the Issuer, the Trustee nor the Bondholders will have remedies available to them to mitigate the adverse economic effects to the Bondholders of such inclusion by reason of the Borrower's non compliance.

#### **Failure of Provider of an Investment Agreement to Make Payments Thereunder**

Scheduled payments made under the Mortgage Note are made on a monthly basis and scheduled payments on the Bonds are made semiannually. Until applied to make payment on the Bonds, payments received on the Mortgage Note may be invested in Permitted Investments, which may include one or more Investment Agreements. Failure of the provider of an Investment Agreement to make payments thereunder may adversely affect the ability of the Trustee to make payments on the Bonds. In addition, a reduction in the rating of an Investment Agreement Provider or a deterioration in its financial strength may adversely affect the rating on the Bonds. See "VERIFICATION OF CASH FLOWS—Sufficiency of Cash Flow" herein.

#### **Performance of the Mortgaged Property**

No assurance can be given as to the future performance of the Mortgaged Property. The economic feasibility of the Mortgaged Property depends in large part upon the ability of the Borrower to attract sufficient numbers of residents and to maintain substantial occupancy throughout the term of the Bonds at sufficient rents. As referenced previously in this Official Statement, failure to meet Mortgaged Property net operating income at the time of Conversion could result in a redemption of the Bonds in whole or in part. See "BONDHOLDERS' RISKS-Failure to Complete Mortgaged Property; Reduction in Authorized Mortgage Loan Amount." Occupancy of the Mortgaged Property may be affected by competition from existing housing facilities (including facilities owned by the Borrower or an affiliate of the Borrower) or from housing facilities which may be constructed in the area served by the Mortgaged Property (including facilities constructed by the Borrower or affiliates of the Borrower). The Issuer has not independently reviewed the feasibility of the Mortgaged Property and makes no representation, direct or indirect, that the Mortgaged Property will be able to generate sufficient income for the Borrower to make its debt service payments under the Mortgage Note or other payment obligations of the Borrower under the Bond Documents or the Mortgage Loan Documents and its operating expenses. Restrictions imposed under the Code on tenant income and the rent that can be charged could have an adverse effect on the Borrower's ability to satisfy its obligations under the Mortgage Loan Documents, especially if operating expenses should increase beyond what the Borrower had anticipated. Further, the sustained failure of tenants to meet their rental payment obligations would make it difficult for the Mortgaged Property to meet its current operating expenses which could result in a curtailment of essential services and decrease the desirability of the Mortgaged Property to existing or prospective tenants. A default by the Borrower under the Financing Agreement, including the failure by the Borrower to pay on the date due any amounts required to be paid by the Borrower under the Financing Agreement, the Mortgage Note, the Security Instrument or the Reimbursement Agreement, may result in a mandatory redemption or acceleration of the Bonds. No premium will be paid on the Bonds in the event of such a redemption or acceleration. See "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Default Provisions and Remedies" and "APPENDIX H—SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT" attached hereto, and "THE BORROWER AND THE MORTGAGED PROPERTY" herein.

#### **Environmental Matters**

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



### **Early Redemption**

A variety of factors described herein will result in an early redemption of the Bonds. The possibility of an early redemption could affect the value of the Bonds. See "THE BONDS-Optional Redemption," "-Special Mandatory Redemption," and "-Mandatory Sinking Fund Redemptions" herein.

### **Delayed Purchase on Failed Remarketing**

In the event that the Trustee does not, after a remarketing, have sufficient funds on the Remarketing Date to purchase all of the Outstanding Bonds, the Trustee shall present a certificate for a Purchased Bonds Advance under the Credit Facility. Such advance, shall be applied to purchase the Bonds not later than three Business Days following the Remarketing Date at a purchase price of 100% of the principal amount of the Bonds purchased plus accrued interest to the date of purchase.

### **Interest Ceases to Accrue Upon Declaration of Acceleration**

In the event of a declaration of acceleration of the payment of the Bonds following an Event of Default under the Indenture, interest on the Bonds will cease to accrue upon such declaration but payment of the Bonds will not be made until presentment of the Bonds and at such time as the Trustee has received payment from Fannie Mae in accordance with the Credit Facility. Therefore, no interest will accrue or be payable on the Bonds for the period between the date of acceleration and the later of the date of presentment or the date on which the Trustee has received payment from Fannie Mae in accordance with the Credit Facility.

## **FANNIE MAE**

*The following information in this section "FANNIE MAE" is provided by Fannie Mae. Neither the Issuer, the Borrower nor the Underwriter, make any representation as to its accuracy.*

Fannie Mae is a federally chartered and stockholder owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. 1716 et seq. Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and became a stockholder owned and privately managed corporation by legislation enacted in 1968.

Fannie Mae purchases, sells, and otherwise deals in mortgages in the secondary market rather than as a primary lender. It does not make direct mortgage loans but acquires mortgage loans originated by others. In addition, Fannie Mae issues mortgage backed securities ("MBS"), primarily in exchange for pools of mortgage loans from lenders. Fannie Mae receives guaranty fees for its guarantee of timely payment of principal of and interest on MBS certificates.

Fannie Mae is subject to regulation by the Secretary of Housing and Urban Development ("HUD") and the Director of the independent Office of Federal Housing Enterprise Oversight within HUD ("OFHEO"). Approval of the Secretary of Treasury is required for Fannie Mae's issuance of its debt obligations and MBS. The President of the United States may appoint five members of Fannie Mae's Board of Directors, and the other thirteen are elected by the holders of Fannie Mae's common stock. Since May 25, 2004, the date of Fannie Mae's most recent annual shareholder's meeting, the President has declined to exercise his authority to appoint directors, and those five Board positions will remain open unless and until the President names new appointees.

The securities of Fannie Mae are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof other than Fannie Mae.

Information on Fannie Mae and its financial condition is contained in periodic reports that are filed with the Securities and Exchange Commission (the "SEC"). The SEC filings are available at the SEC's website at <http://www.sec.gov/>. The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae's web site at <http://www.fanniemae.com/ir/sec> or from Fannie Mae at the Office of Investor Relations at 202-752-7115

Fannie Mae's safety and soundness regulator, OFHEO, announced in July 2003 that it was conducting a special examination of Fannie Mae's accounting policies and practices, and in September 2004 issued a preliminary report of its findings to date. OFHEO subsequently identified additional accounting and internal control issues in February 2005, and issued its Report of the Special Examination of Fannie Mae (the "OFHEO Report") on May 23, 2006.

On December 22, 2004, Fannie Mae reported that the Audit Committee of Fannie Mae's Board of Directors (the "Board") had determined that Fannie Mae's previously filed interim and audited financial statements and the independent auditor's reports thereon for the period from January 2001 through the second quarter of 2004 should no longer be relied upon because such financial statements were prepared using accounting principles that did not comply with U.S. generally accepted accounting principles ("GAAP"). Fannie Mae subsequently initiated an extensive restatement and re-audit of its financial statements with Fannie Mae's new independent auditor, Deloitte & Touche LLP. Fannie Mae anticipates that the impact of the restatement will be material to Fannie Mae's financial statements for many, if not all, of the periods involved.

The Board and Fannie Mae's management have initiated numerous internal and external reviews of Fannie Mae's accounting processes and controls, Fannie Mae's financial reporting processes, and Fannie Mae's application of GAAP. One of these external investigations was conducted by the law firm of Paul, Weiss, Rifkind, Wharton & Garrison LLP ("Paul Weiss"), under the direction of former U.S. Senator Warren Rudman. On February 23, 2006, the Paul Weiss report to the Special Committee of the Board was publicly released, and included numerous findings about Fannie Mae's accounting policies, practices and systems, compensation practices, corporate governance, and internal controls. On February 24, 2006, Fannie Mae filed a Form 8-K with the SEC that includes the Paul Weiss report.

The OFHEO Report presents OFHEO's findings about Fannie Mae's corporate culture, executive compensation programs, accounting policies and internal controls, internal and external auditors, senior management, and the Board. In conjunction with the release of the OFHEO Report, Fannie Mae entered into settlement agreements with both OFHEO and the SEC on May 23, 2006. The settlement agreements require Fannie Mae to pay civil penalties totaling \$400 million. In addition, the settlement agreement with OFHEO requires Fannie Mae to undertake certain remedial actions within a specified time frame to address the recommendations contained in the OFHEO Report, including an undertaking by Fannie Mae not to increase its "mortgage portfolio" assets except as permitted by a plan to be submitted by Fannie Mae for approval by OFHEO. The settlement agreements constitute comprehensive settlements between Fannie Mae and both OFHEO and the SEC relating to the activities of Fannie Mae during the time period in question. Please refer to Fannie Mae's Form 8-K filed with the SEC on May 30, 2006 for further information about the OFHEO Report and the settlement agreements. A complete copy of the OFHEO Report is available on OFHEO's website at <http://www.ofheo.gov/>.

On July 20, 2006, the Federal Reserve Board implemented revisions to its payment systems risk policy requiring all government sponsored enterprises, including Fannie Mae, to fully fund their accounts with the Federal Reserve Banks before making payments to debt and mortgage-backed securities investors. Fannie Mae complied with this policy by entering into various funding agreements with market participants. In connection with this policy change, Fannie Mae also entered into a new fiscal agency agreement with the Federal Reserve Bank of New York.

On August 24, 2006, Fannie Mae announced that it had been advised by the United States Attorney's Office for the District of Columbia that it was discontinuing its investigation of Fannie Mae's accounting policies and practices, and did not plan to file charges against Fannie Mae. Please refer to Fannie Mae's Form 8-K filed with the SEC on August 24, 2006 for further information.

Fannie Mae has not filed Quarterly Reports on Form 10-Q for the third quarter of 2004, the first, second and third quarters of 2005 or for the first and second quarters of 2006, nor has Fannie Mae filed its Annual Report on Form 10-K for the years ended December 31, 2004 or December 31, 2005. As Fannie Mae most recently reported in a Current Report on Form 8-K filed with the SEC on August 9, 2006, Fannie Mae currently estimates that it will complete its financial restatement and file its Annual Report on Form 10-K for the year ended December 31, 2004 by the end of 2006.

Form 8-K's that Fannie Mae files with the SEC on or prior to the date of this Official Statement are incorporated herein by reference.

Fannie Mae makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility of performance of any project, or compliance with any securities, tax or other laws or regulations. Fannie Mae's role with respect to the Bonds is limited to issuing and discharging its obligations under the Credit Facility and exercising the rights reserved to it in the Indenture and the Reimbursement Agreement.

## 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 (the "TDCA"), both of which were abolished by the Act and their functions and obligations transferred to the Issuer. One of the purposes of the Issuer is to provide assistance to individuals and families of low and very low income and families of moderate income and persons with special needs to obtain decent, safe and sanitary housing. Pursuant to the Act, the Issuer may issue bonds, notes or other obligations to finance or refinance residential housing and to refund bonds previously issued by the Agency, the Issuer or certain other quasi-governmental issuers. The Act specifically provides that the revenue bonds of the Agency become revenue bonds of the Issuer.

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

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

### Organization and Membership

#### *Governing Board*

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

The Governor of the State designates a member of the Board to serve as the presiding officer (the "Chair") of the Board at the pleasure of the Governor. The Chair presides at all meetings and performs such other duties as may be prescribed from time to time by the Board and by the Act. In addition, the members of the Board elect one of its members as assistant presiding officer (the "Vice Chair") to perform the duties of the Chair when the Chair is not present or is incapable of performing such duties. The Board also elects a Secretary and a Treasurer (which

offices may be held by one individual and neither office holder is required to be a Board member) to perform the duties prescribed by the Board.

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

ELIZABETH ANDERSON, Chair and Board Member. Marketing/Information Technology Consultant, Dallas, Texas. Her term expires January 31, 2007.

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

SHADRICK BOGANY, Board Member. ERA Bogany Properties of Houston, Houston, Texas. His term expired January 31, 2005.

NORBERTO SALINAS, Board Member. Mayor, City of Mission, Mission, Texas and President, S & F Developers and Builders. His term expired January 31, 2005.

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

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

All of the above Board members have been appointed by the Governor and confirmed by the State Senate, except for Sonny Flores and Gloria L. Ray. Texas law requires that confirmations of any such appointment be considered at the next legislative session, whether regular or special. 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 270 employees. The following is a biographical summary of certain of the Issuer's senior staff members who have responsibility with respect to multi-family housing matters:

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

BROOKE BOSTON, Deputy Executive Director. Ms. Boston joined the Issuer in June of 2000 as a Low Income Housing Tax Credit Planner in the Multifamily Program Division and was subsequently named the Co-Manager of the LIHTC Program. She assumed her current position on June 1, 2006. Ms. Boston's

responsibilities include oversight of TDHCA program divisions including Single Family Finance Product, Multifamily Finance Production, the Office of Colonia Initiatives and the Community Affairs Division. Prior to this position, Ms. Boston had been the Director of Multifamily Finance Production since January 2003 and her duties included managing Mortgage Revenue Bonds, Low Income Housing Tax Credit, preservation funds, the Housing Trust Fund and HOME funds. Prior to joining the Issuer, Ms Boston had been in the housing industry doing consulting on affordable housing development. Ms. Boston has a Master of Science in Planning from Florida State University, Tallahassee, Florida.

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

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

KELLY CRAWFORD, Director of Portfolio Management and Compliance. Kelly Crawford has over seven years of state government service with project management, monitoring, and auditing experience in welfare reform programs, performance measurement, data accuracy, and program efficiency including three and on-half years with the Texas Department of Housing and Community Affairs as an internal auditor. She has worked closely with Department management to consult in the development and implementation of an Enterprise Risk Management program. Ms. Crawford holds a Bachelor of Science degree from Texas A&M University, is a Certified Internal Auditor, and holds a Certification in Control Self-Assessment.

KEVIN HAMBY, General Counsel and Secretary to the Board. Kevin Hamby was named General Counsel of the Department and became Secretary to the Board on September 1, 2005. In his role of Board Secretary, Mr. Hamby coordinates the recording of transcripts and minutes of Board actions as required by the Act. As General Counsel, Mr. Hamby is responsible for coordination of all internal and external legal counsel for the Department. Previously, he was with the Office of the Attorney General of Texas in the Administrative Law Division. After graduating from Catholic University of America, Columbus School of Law, Mr. Hamby joined the Dallas office of Fulbright & Jaworski, L.L.P. where he was involved in the Public Finance and Commercial Litigation Sections. After leaving the law firm, Mr. Hamby served as General Counsel to several organizations while in private practice. Mr. Hamby received his undergraduate degree in government from the University of Texas.

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

THE BONDS, TOGETHER WITH INTEREST THEREON, ARE SPECIAL AND LIMITED OBLIGATIONS SOLELY OF THE ISSUER PAYABLE FROM THE REVENUES, RECEIPTS AND SECURITY PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE UNITED STATES OF AMERICA, THE STATE, THE ISSUER, NOR ANY OTHER POLITICAL SUBDIVISION OR BODY CORPORATE AND POLITIC OF THE STATE OR ANY AGENCY OF THE UNITED STATES OF AMERICA OR ANY ISSUER THEREOF, WILL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF

ANY, OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER OF THE ISSUER, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS WILL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF THE UNITED STATES OF AMERICA, THE STATE, THE ISSUER, OR ANY OTHER POLITICAL SUBDIVISION OR BODY CORPORATE AND POLITIC OF THE STATE, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. THE BONDS ARE NOT AN OBLIGATION, DEBT OR LIABILITY OF THE STATE, AND DO NOT CREATE OR CONSTITUTE A PLEDGE, GIVING OR LENDING OF THE FAITH, CREDIT, OR TAXING POWER OF THE STATE.

**Other Indebtedness of the Issuer**

***Single Family Mortgage Revenue Bonds.***

Since 1979, the year of creation of the Agency, through June 30, 2006, there have been issued by the Agency or the Issuer, 27 series of Residential Mortgage Revenue Bonds, two series of GNMA Collateralized Home Mortgage Revenue Bonds, 46 series of Single Family Mortgage Revenue Bonds, four series of Junior Lien Single Family Mortgage Revenue Bonds, 11 series of Collateralized Home Mortgage Revenue Bonds, and 10 series of Single Family Mortgage Revenue Bonds (Collateralized Home Mortgage Revenue Bonds). As of June 30, 2006, the aggregate outstanding principal amount of bonded indebtedness of the Issuer for single family purposes was \$1,215,290,000.

***Multifamily Housing Revenue Bonds.***

The Issuer and the Agency, through June 30, 2006, have issued 185 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 June 30, 2006, 132 series were outstanding with an aggregate outstanding principal amount of \$1,085,280,297 of multifamily housing revenue bonds.

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## THE BORROWER AND THE MORTGAGED PROPERTY

*The following has been provided solely by the Borrower. None of the Issuer, the Trustee, Fannie Mae, the Loan Servicer, the Underwriter or any of their counsel, officers or employees, makes any representation as to the accuracy or sufficiency of such information.*

### Plan of Financing

The total permanent costs of the Mortgaged Property are estimated by the Borrower to be \$15,168,735 not including interim sources or uses of funds or accrued interest on the Bonds. The estimated sources and uses of Bond proceeds and other funds for the Mortgaged Property are projected to be approximately as follows:

#### Sources of Funds

Bond Principal	\$9,800,000
Bond Premium	196,000
Federal Tax Credit Investor Contribution	4,310,672
Interest Income	18,867
Borrower Funds and Net Operating Income	0
Deferred Developer Fee	843,196
<b>Total</b>	<b><u>15,168,735</u></b>

#### Uses of Funds

Acquisition Costs	\$8,900,000
Improvement Costs	3,707,203
Costs of Issuance and Other Third Party Fees	737,771
Initial Debt Service Deposit	56,000
Contingency	103,763
Operating Reserve	50,000
Developer Fee/ Miscellaneous Expenses	1,613,998
<b>Total</b>	<b><u>\$15,168,735</u></b>

### The Borrower

The Mortgaged Property will be owned by Summit Aspen Park Apartments, Ltd., an Alabama limited partnership (the "Borrower"). The Borrower is a single-asset entity formed for the purpose of acquiring, developing, and operating the Mortgaged Property. Summit America Properties XXX, Inc., an Alabama corporation, (the "General Partner") will own a 0.01% partnership interest in the Borrower. The remaining 99.99% interest in the Borrower will be limited partnership interests owned by Boston Capital Corporate Tax Credit Fund XXVIII, A Limited Partnership, a Massachusetts limited partnership (the "Limited Partner"). The Borrower will also have a Special Limited Partner, BCCC, Inc., a Massachusetts corporation. The Special Limited Partner will only hold a .001% interest in the capital transaction proceeds. The Investment Limited Partner is expected to make equity contributions totaling approximately \$4,310,672 in five installments, subject to certain conditions precedent for each installment in the Borrower's partnership agreement.

The General Partner, as well as the Developer and Manager described below, are affiliates of Summit America, L.L.C. ("Summit America"). Summit America is an Alabama limited liability company formed in 1995. Since its inception, Summit America and its affiliates, including the General Partner, the Developer and the Manager, have engaged in the new construction, acquisition, rehabilitation and management of apartment projects eligible for federal low income housing tax credits, as well as other housing subsidy programs. Summit America and its affiliates have acquired and rehabilitated, and currently have general partner or membership interests in, 58 housing projects ranging in size from 56 to 418 units with a total of 6,690 units under management. It is also affiliated with the Underwriter. See "RELATED PARTIES" herein.

The Borrower has no substantial assets other than the Mortgaged Property and does not intend to acquire any other substantial assets or to engage in any substantial business activities other than those related to the ownership of the Mortgaged Property. However, the above-referenced partners of the Borrower and their affiliates are engaged in and will continue to engage in the acquisition, development, ownership and management of similar types of housing projects. The principal(s) may be financially interested in, as officers, partners or otherwise, and devote substantial time to, business and activities that may be inconsistent or competitive with the interests of the Mortgaged Property.

The obligations and liabilities of the Borrower under the Mortgage Note and Mortgage are of a non-recourse nature and are limited to the Mortgaged Property and moneys derived from the operation of the Mortgaged Property. Neither the Borrower nor its partners have any personal liability for payments on the Mortgage Note to be applied to pay the principal of and interest on the Bonds. Furthermore, no representation is made that the Borrower has substantial funds available for the Mortgaged Property. Accordingly, neither the Borrower's financial statements nor those of its partners are included in this Official Statement.

A default on the Mortgage Loan by the Borrower could result in a redemption of the Bonds prior to their scheduled maturities. See "THE REDEMPTION OF BONDS—Special Mandatory Redemption."

### The Mortgaged Property

The Mortgaged Property, known as Aspen Park Apartments, is an existing 256-unit apartment community originally constructed in 1982 located on an approximately 10.75-acre site in the City of Houston, Texas.

The Mortgaged Property consists of 20 buildings, which are residential two-story and three-story buildings with wood framing with brick exteriors. Mortgaged Property amenities will include security gates, playground, central mail kiosk, community center, a swimming pool, a children's pool and security patrol.

The rental units consist of the following:

No. of Bedrooms/Baths	Approximate Gross Square Footage	Number of Units	Expected Rent per Unit <sup>†</sup>
1 Bedroom, 1 Bath	816 sq. ft.	32	\$555
2 Bedroom, 1 Bath (w/d)	850 sq. ft.	32	585
2 Bedrooms, 2 Baths (w/d, FP)	970 sq. ft.	40	630
2 Bedrooms, 2 Baths (w/d)	980 sq. ft.	56	625
2 Bedrooms, 2 Baths TH	1160 sq. ft.	16	705
2 Bedrooms, 2 Baths TH	1178 sq. ft.	8	705
3 Bedrooms/2 Baths (w/d, FP)	1200 sq. ft.	72	728
Total		256	

Planned renovations include repairing or replacing roofing, exterior surfaces, repairing or replacing exterior site lighting, condensing units, gutters and downspouts and light fixtures. On the interiors of each unit, new appliances, kitchen cabinets and countertops, bath cabinets, electrical upgrades, light fixtures, HVAC equipment, and water heaters will be installed on an as needed basis. Rehabilitation is expected to begin in November 2006 and be completed by November, 2007.

### The Developer

The Mortgaged Property will be developed by Summit Asset Management, L.L.C. (the "Developer"), an Alabama limited liability company organized in 1996 in the State of Alabama. The Developer is affiliated with Summit America. See "The Borrower" above under the heading for information about affiliates of the Developer; also see "RELATED PARTIES" herein.

<sup>†</sup> Excludes utility allowance



## **The Property Manager**

The manager for the Mortgaged Property will be Summit Asset Management, L.L.C. (the "Manager"). The Manager is an Alabama limited liability company organized in 1996 in the State of Alabama. The Manager's principal place of business is located in Montgomery, Alabama. The Manager operates a full service management and consulting enterprise and currently manages approximately 6,690 units in 58 multifamily housing projects. In addition, certain of the principals of the Manager own and operate, or through various other entities, are in the process of developing multifamily housing in Alabama, Texas, Mississippi, Florida and Texas. The Manager has a staff of 45 professionals and 10 clerical personnel. The Manager is affiliated with Summit America. See "RELATED PARTIES" herein.

## **Rental Restrictions**

The Mortgaged Property is subject to the Regulatory Agreement, which imposes certain requirements on the Borrower with respect to the tax-exempt status of the Bonds under the Code, which include, among other requirements, a set aside of 40% of the units in the Mortgaged Property for rental to persons or families having incomes at or below 60% of area median gross income, adjusted for family size and determined in accordance with Section 142(d) of the Code, and certain other requirements under state law. See "APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT" attached hereto.

In addition, in order for the Mortgaged Property to be eligible for federal low-income housing tax credits, the Borrower will execute a tax credit land use restrictive covenant in compliance with the requirements of Section 42 of the Code (the "Tax Credit Regulatory Agreement"). The Tax Credit Regulatory Agreement will require that 90% of the units in the Mortgaged Property be reserved for lease to tenants with incomes at or below 60% of area median income adjusted for family size and that the maximum rents charged for such units be restricted under Section 42(g)(2) of the Code throughout the extended use period (as defined in the Code).

## **RELATED PARTIES**

Various affiliates of Summit America are involved in the ownership, operation and financing of the Mortgaged Property. Summit America Properties XXX, Inc., the General Partner, is 100% owned by Realty Partners, LLC. Realty Partners, LLC is 78% owned by W. Daniel Hughes, Jr. Mr. Hughes is manager of the Summit Asset Management, L.L.C., the Developer and Manager, and Merchant Realty, L.L.C., which is an affiliate of the Underwriter. Blake Brazeal is president of the General Partner.

## **THE MORTGAGE NOTE**

The Mortgage Loan will be evidenced by a Mortgage Note. The Mortgage Note will be a *non-recourse* obligation of the Borrower (subject to certain enumerated exceptions to non recourse liability) to repay the Mortgage Loan and will be secured by the Security Instrument. The Mortgage Note will be payable monthly, interest only, in arrears, to and including the Conversion Date and thereafter will be due and payable in three hundred sixty (360) consecutive level monthly installments of principal and interest (computed at the Mortgage Note Rate then in effect (subject to recalculation in connection with the remarketing of the Bonds on the Initial Remarketing Date) on the outstanding principal amount of the Mortgage Note) beginning on the first (1st) day of the month following the month in which the Conversion Date occurs until the entire indebtedness evidenced by the Mortgage Note is paid in full, provided that any remaining indebtedness, if not sooner paid, will be due and payable on the thirtieth anniversary of the Conversion Date, but in any event not later than June 1, 2039. The Mortgage Note is subject to optional and mandatory prepayment at the times, in the manner and on the terms set forth therein.

The Mortgage Note will bear interest at the "Mortgage Note Rate." The Mortgage Note Rate is (i) 5.39% per annum for the period beginning on November 9, 2006 (the "Accrual Date") to, but not including, the Conversion Date, and (ii) 5.94% per annum for the period beginning on the Conversion Date to, but not including the first day of the month preceding the Initial Remarketing Date (the "Initial Adjustment Date") and will be subject to adjustment effective as of the Initial Adjustment Date, in the manner provided in the Mortgage Note.

The Mortgage Note Rate (as defined in the Financing Agreement) shall be comprised of:

(a) a pass through rate of interest (the "Pass Through Rate"), which will be a rate sufficient to pay when due the interest on the Bonds and the Third Party Fees to the extent included in the Mortgage Note Rate; and

(b) "Set Rate Interest," which (a) prior to the Conversion Date, will be a percentage equivalent to the Facility Fee payable to Fannie Mae and (b) on and after the Conversion Date, will be a percentage equivalent to the sum of (1) the Facility Fee payable to Fannie Mae and (2) the Servicing Fee payable to the Loan Servicer.

#### **THE LOAN SERVICER**

Beginning on the Conversion Date, Greystone Servicing Corporation, Inc. a Georgia corporation (the "Loan Servicer"), will perform mortgage servicing functions with respect to the Mortgage Loan on behalf of and in accordance with Fannie Mae's requirements. The servicing arrangements between Fannie Mae and the Loan Servicer for the servicing of the Mortgage Loan are solely between Fannie Mae and the Loan Servicer and neither the Issuer nor the Trustee is deemed to be party thereto or has any claim, right, obligation, duty or liability with respect to the servicing of the Mortgage Loan.

The Loan Servicer will be obligated, pursuant to its arrangements with Fannie Mae and Fannie Mae's servicing requirements, to perform diligently all services and duties customary to the servicing of mortgages, as prescribed by Fannie Mae. Fannie Mae has the right to remove the Loan Servicer with or without cause. The duties performed by the Loan Servicer include general loan servicing responsibilities, collection and remittance of principal and interest payments made by or on behalf of the Borrower, administration of mortgage escrow accounts and collection of insurance claims.

The Loan Servicer makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility of performance of the Mortgaged Property or compliance with any securities, tax or other laws or regulations. The Loan Servicer's role is limited to servicing the Mortgage Loan.

#### **THE INDENTURE, FINANCING AGREEMENT AND REGULATORY AGREEMENT**

Certain provisions regarding the deposit and disbursement of moneys in the Funds and Accounts, Events of Default, remedies and rights with respect to the Indenture are described in "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" hereto. Certain provisions of the Regulatory Agreement regarding income and rental restrictions on the Mortgaged Property and remedies thereunder are described in "APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT" hereto. Certain provisions of the Financing Agreement regarding the terms of the Mortgage Loan, prepayment rights of the Borrower and rights upon damage to the Mortgaged Property are described in "APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT" hereto.

#### **ENFORCEABILITY OF REMEDIES**

The remedies available to the Trustee, the Issuer and the owners of the Bonds upon an Event of Default under 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 Financing Agreement, the Regulatory Agreement and the Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds, the Financing Agreement, the Regulatory Agreement and the Indenture may be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, by equitable remedies and proceedings generally, by common law and statutes affecting enforceability of contractual obligations generally and by principles of public policy concerning, affecting or limiting the enforcement of remedies against governmental entities such as the Issuer.

## TAX MATTERS

In the opinion of Bond Counsel (the proposed form of which is attached hereto as APPENDIX E), assuming compliance with certain covenants and based on certain representations, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, except with respect to interest on any Bond during any period while it is held by a "substantial user" of the Mortgaged Property or a "related person" within the meaning of Section 147(a) of the Code. The Bonds are "private activity bonds" under the Code and, therefore, interest on the Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations.

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

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

In the case of bonds used to provide residential rental housing, such as the Bonds, section 142 of the Code requires that such bonds also satisfy the tenant eligibility requirements applicable to "qualified residential rental Mortgaged Properties" under section 142(d) of the Code. Section 142(d) of the Code requires that at all times during the Qualified Project Period a certain percentage of the units in the Mortgaged Property are to be occupied by individuals with income below certain levels as provided in section 142(d) of the Code. The "Qualified Project Period" for the Mortgaged Property will commence on the first day on which 10 percent of the units in the Mortgaged Property 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 Mortgaged Property are first occupied; (2) the date on which no tax-exempt private activity bond (as defined in section 141 of the Code) remains outstanding; or (3) the date on which any assistance provided with respect to each such Mortgaged Property under Section 8 of the United States Housing Act of 1937, as amended, terminates. The United States Department of Treasury issued regulations (the "Regulations") setting forth requirements for compliance with a comparable provision of the predecessor of section 142 of the Code. The Regulations require, among other things, that (1) the low-income set aside requirement of this predecessor provision must be met on a continuous basis during the Qualified Project Period, and (2) all of the units in the Mortgaged Property must be rented or available for rental to the general public on a continuous basis during the Qualified Project Period. Under the Regulations, the failure to satisfy the foregoing requirements on a continuous basis or the failure to satisfy any of the other requirements of the Regulations will, unless corrected within a reasonable period of not more than 60 days after such non-compliance is first discovered or would have been discovered by the exercise of reasonable diligence, cause interest on the Bonds to be includable in gross income for federal income tax purposes as of the date of their original issue, irrespective of the date such non-compliance actually occurred.

The Issuer has established requirements, procedures and safeguards that it believes to be sufficient to ensure compliance with the requirements of the Code and the Regulations with respect to the Mortgaged Property. Such requirements, procedures and safeguards are incorporated into the Regulatory Agreement, the Loan Agreement and the Indenture. In addition, the Issuer and the Trustee have each covenanted in the Indenture to follow and enforce such procedures to ensure compliance with such requirements. However, no assurance can be given that in

the event of a breach of any of the provisions or covenants described above, the remedies available to the Issuer and the Trustee can be judicially enforced in such manner as to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income for federal income tax purposes of the interest on the Bonds. Furthermore, if the Borrower fails to comply with the Regulatory Agreement or the Loan Agreement, the enforcement remedies available to the Issuer, the Trustee and the holders of the Bonds are severely limited and may be inadequate to prevent the loss of the excludability from gross income for federal income tax purposes of the interest on the Bonds retroactive to the date of issuance of the Bonds. In such event, there is no provision for acceleration or redemption of the Bonds, and the holders of the Bonds may be required to hold the Bonds until maturity bearing interest that is includable in gross income for federal income tax purposes.

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

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on Bonds, received or accrued during the year.

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

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

THE FEDERAL TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON AN OWNER'S PARTICULAR SITUATION. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF HOLDING AND DISPOSING OF THE BONDS UNDER APPLICABLE STATE OR LOCAL LAWS. FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO INVESTORS WHO ARE NOT U.S. PERSONS.

## LITIGATION

### The Borrower

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body for which service of process has been effected on the Borrower or, to the knowledge of the Borrower, threatened against or affecting the Borrower, or to its knowledge, any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by this Official Statement, the exclusion of interest on the Bonds from the gross income, for federal income tax purposes, of the

owners of the Bonds or the validity or enforceability of the Bonds, the Indenture, the Financing Agreement, the Mortgage Note or any other agreement or instrument to which the Borrower is a party and which is used or contemplated for use in the transactions contemplated by this Official Statement.

### **The Issuer**

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

### **CERTAIN LEGAL MATTERS**

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approving opinion of the Attorney General of the State of Texas and Vinson & Elkins LLP, Austin, Texas, Bond Counsel (the "Bond Opinions"), which will be furnished at the expense of the Borrower upon delivery of the Bonds. The Bond Opinions will be limited to matters relating to authorization and validity of the Bonds and to the tax exempt status of interest on the Bonds as described in the Section "TAX MATTERS." Neither the Attorney General of the State of Texas nor Bond Counsel has been engaged to investigate (a) the financial resources of the Borrower or its ability to repay the Mortgage Loan, (b) the financial resources of Fannie Mae or its ability to make payments under the Credit Facility, or (c) the computations, Projections or verification of cash flows relating to payment of the Mortgage Loan, and the Bond Opinions will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase any of the Bonds. The proposed form of the opinion of Bond Counsel is included in this Official Statement as Appendix E. Certain legal matters will be passed on for Fannie Mae by its Legal Department and by its special counsel, O'Melveny & Myers LLP, for the Issuer by its counsel, McCall, Parkhurst & Horton, L.L.P., Dallas, Texas, for the Borrower by its counsel, Balch & Bingham, LLP, Montgomery, Alabama, and for the Underwriter by its counsel, Peck, Shaffer & Williams LLP, Cincinnati, Ohio.

### **CONTINUING DISCLOSURE**

The Borrower will enter into a Continuing Disclosure Agreement dated as of November 1, 2006 (the "Continuing Disclosure Agreement") with the Trustee, acting as the Dissemination Agent, obligating the Borrower to send, or cause to be sent, certain financial information with respect to the Mortgaged Property to certain information repositories annually and to provide notice, or cause notice to be provided, to the Municipal Securities Rulemaking Board and a state information repository, if any, of certain enumerated events for the benefit of the Beneficial Owners and Holders of any of the Bonds, in order to allow the Underwriter to meet the requirements of Section (b)(5)(i) of Securities Exchange Commission Rule 15c2-12 (the "Rule"). See "APPENDIX G-FORM OF CONTINUING DISCLOSURE AGREEMENT."

A failure by the Borrower to comply with the provisions of the Continuing Disclosure Agreement will not constitute a default under the Indenture or Financing Agreement (although Bondholders will have any available remedy at law or in equity for obtaining necessary disclosures). Nevertheless, such a failure to comply is required to be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds.

### **VERIFICATION OF CASH FLOWS**

The mathematical accuracy of certain computations included in the schedules provided by the Underwriter on behalf of the Issuer relating to the computation of the cash flows for the Mortgaged Property payments of

principal and interest on the Mortgage Loan and the sufficiency of such payments together with certain amounts held under the Indenture for the payment of the principal of and interest on the Bonds and certain fees will be verified by Causey, Demgen & Moore, Inc. (the "Verification Agent"). The Verification Agent has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the projected outcome.

### **Sufficiency of Cash Flow**

Fannie Mae does not guarantee the payment of the principal of, premium, if any, or interest on, the Bonds or the return on any investment. The interest rate on the Mortgage Loan has been established at a rate such that payments on the Mortgage Loan and any interest earned on such payments during the period they are on deposit with the Trustee are expected by the Borrower, on the basis of a Cash Flow Projection prepared by Peck, Shaffer & Williams LLP and verified by Causey, Demgen & Moore, Inc., to be sufficient to pay the principal of and interest on the Bonds, the Servicing Fee of the Loan Servicer, the Fannie Mae Facility Fee and Third Party Fees (to the extent included in the Mortgage Note Rate). The Cash Flow Projection takes into consideration assumed minimum investment earnings on certain moneys on deposit in the various Funds and Accounts. In the event that the investment earnings on any investment is less than the return assumed in the Cash Flow Projections or if there is an error in the Cash Flow Projections, there may not be sufficient amounts available to pay the principal of and interest on the Bonds. This could result in a payment default on the Bonds even though there is no default under the Mortgage Loan or under the Credit Facility. Fannie Mae has no obligation to fund any such shortfall. The remedies of the Trustee are limited in this event. See "VERIFICATION OF CASH FLOWS" herein. Fannie Mae has not prepared, reviewed or verified, makes no representation or warranty with respect to, does not certify to, and assumes no responsibility or liability for, any Cash Flow Projection or Verification Report, the calculations used in any Cash Flow Projection, the assumptions used in making such calculations, the mathematical accuracy of such calculations or for the sufficiency of any payments (and any Mortgaged Property investment income) based on any Cash Flow Projection to pay the principal of and interest on the Bonds when due, any fees, including any Third Party Fees, when due, or any other amounts at any time.

### **RATING**

Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc. ("S & P") has assigned a rating of "AAA" to the Bonds. Such rating expresses only the views of such rating agency. An explanation of the significance of the rating may be obtained from such rating agency at 55 Water Street, New York, New York 10041 (telephone 212/438-2166). There is no assurance that such rating will continue for any given period of time or will not be revised or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Neither the Issuer, the Underwriter, Fannie Mae, the Loan Servicer nor the Borrower have undertaken any responsibility to bring to the attention of the holders of the Bonds any proposed downward revision or withdrawal of a rating of the Bonds, or to oppose any such proposed downward revision or withdrawal. Any such downward revision in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

### **UNDERWRITING**

The Bonds are being purchased for reoffering by Merchant Capital, L.L.C. (the "Underwriter"). Pursuant to a Bond Purchase Agreement for the Bonds (the "Bond Purchase Agreement") among the Issuer, the Borrower and the Underwriter, the Underwriter is to be paid a fee for underwriting the Bonds equal to .90% of the principal amount of the Bonds. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions set forth in the Bond Purchase Agreement, and the Underwriter is obligated to purchase all of the Bonds if it purchases any of the Bonds.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public, and may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices thereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriter.

The Bond Purchase Agreement provides that the obligation of the Underwriter is subject to certain conditions, including, among other things, that (i) no event has occurred which impairs or threatens to impair the status of the interest on the Bonds as exempt from Federal income taxation and (ii) proceedings relating to the Bonds are not pending or threatened by the Securities and Exchange Commission. The Borrower has agreed to indemnify the Underwriter and the Issuer against certain liabilities in connection with the issuance and sale of the Bonds, including certain liabilities arising under federal and state securities laws.

In addition to serving as Underwriter, Merchant Capital, L.L.C. has been designated to serve as Remarketing Agent and will receive a fee for its remarketing services in connection with the remarketing of the Bonds on the Initial Remarketing Date.

#### **FINANCIAL ADVISOR**

RBC Capital Markets will act as financial advisor (the "Financial Advisor") to the Issuer in connection with the structuring and sale of the Bonds. RBC Capital Markets is the name under which RBC Dain Rauscher Inc., a broker-dealer, conducts investment banking business. Certain of the fees and expenses of the Financial Advisor will be contingent upon the issuance of the Bonds.

#### **MISCELLANEOUS**

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

ALTHOUGH THE ISSUER HAS AUTHORIZED AND APPROVED THIS OFFICIAL STATEMENT, THE ISSUER IS A CONDUIT ISSUER AND HAS NOT PREPARED OR PARTICIPATED IN THE PREPARATION OF THIS OFFICIAL STATEMENT AND IS NOT RESPONSIBLE FOR THE STATEMENTS MADE HEREIN EXCEPT FOR THE INFORMATION UNDER THE CAPTIONS "THE ISSUER" AND "LITIGATION" (TO THE EXTENT THAT THE INFORMATION UNDER SUCH CAPTIONS PERTAINS TO THE ISSUER) AND THE ISSUER WILL NOT PARTICIPATE IN OR BE RESPONSIBLE FOR THE OFFERING, SALE OR DISTRIBUTION OF THE BONDS.

#### CERTIFICATION

The execution and delivery of this Official Statement, and its distribution and use by the Underwriter, have been duly authorized and approved by the Borrower.

**SUMMIT ASPEN PARK APARTMENTS, LTD.**, an  
Alabama limited partnership

By: **SUMMIT AMERICA PROPERTIES XXX, INC.**,  
an Alabama corporation, its sole General Partner

By: \_\_\_\_\_  
Name: Jonathan D. Killough  
Its: Vice President



## APPENDIX A

## APPENDIX A

### SUMMARY OF CERTAIN DEFINITIONS

The following is a summary of certain definitions contained in the various documents entered into with respect to the Bonds and used in this Official Statement. It is a summary only and does not purport to be a complete statement of the contents thereof. Reference is made to the full text of the documents herein described for a complete recital of the definitions contained therein.

Additional definitions are set forth in "APPENDIX F—FORM OF THE CREDIT FACILITY."

"*Account*" means any Account established within a Fund created by the Indenture.

"*Act*" means Chapter 2306, Texas Government Code.

"*Act of Bankruptcy*" means any proceeding instituted under the Bankruptcy Code or other applicable insolvency law by or against the Issuer.

"*Advance*" means an advance under the Credit Facility, which may be a Scheduled Payment Advance, a Bankruptcy-Related Advance, an Extraordinary Advance or a Purchased Bonds Advance, as each such term is defined in the Credit Facility.

"*Asset Oversight Agent*" means the Asset Oversight Agent as selected by the Issuer, initially the Texas Department of Housing and Community Affairs.

"*Asset Oversight Agent's Fee*" shall have the meaning set forth in the Asset Oversight Agreement.

"*Asset Oversight Agreement*" means the Asset Oversight Agreement dated as of November 1, 2006 between the Borrower and the Asset Oversight Agent, as the same may be amended, modified or supplemented from time to time.

"*Assignment*" means the Assignment and Intercreditor Agreement, dated as of the date of the Indenture, by and among the Lender, the Issuer, the Trustee and Fannie Mae, and acknowledged, accepted and agreed to by the Borrower, as it may be amended, modified, supplemented or restated from time to time.

"*Authorized Construction Phase Credit Facility Provider Representative*" means any person from time to time designated to act on behalf of the Construction Phase Credit Facility Provider as set forth in a written certificate furnished to the Trustee and the Issuer containing the specimen signature of such person and authorized to act by resolution or other appropriate action of the Board of Directors of the Construction Phase Credit Facility Provider of by its bylaws. Such resolution or other appropriate action may designate an alternate or alternates who shall have the same authority, duties and powers as person initially designated as the Authorized Construction Phase Credit Facility Provider Representative. The Trustee may conclusively presume that a person designated in a written certificate filed with it as an Authorized Construction Phase Credit Facility Provider Representative is an Authorized Construction Phase Credit Facility Provider Representative until such time as such provider files with it and with the Issuer and Fannie Mae and the Loan Servicer a written certificate identifying a different person or persons to act in such capacity.

"*Authorized Denomination*" means \$5,000 or any integral multiple of \$5,000.

"*Authorized Officer*" means the Chair, Vice Chair or Secretary of the Issuer, the Executive Director of the Issuer, the Deputy Executive Director of Housing Operations of the Issuer, the Deputy Executive Director of Programs of the Issuer, the Chief of the Agency Administration of the Issuer, the Director of Finance Administration of the Issuer, the Director of Bond Finance of the Issuer, or the Director of Multifamily Finance Production of the Issuer or such other person at any time designated by the Issuer to act on behalf of the Issuer, as evidenced by a written certificate delivered to the Borrower, the Trustee, Fannie Mae and the Loan Servicer, containing the

specimen signature of such person and signed by one of the above titled officers. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties and exercise all powers of an Authorized Officer.

*"Available Moneys"* means, as of any date of determination (a) the proceeds of the Bonds, (b) remarketing proceeds (other than funds provided by the Issuer, the Borrower, any general partner of the Borrower or any guarantor of the Borrower's obligations relating to the Mortgage Loan or the Bonds, if applicable, or the Issuer), (c) moneys received by the Trustee pursuant to the Credit Facility, (d) any other amounts with respect to which the Trustee has received an Opinion of Counsel to the effect that (i) 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 (ii) payments of such amounts to the Bondholders would not be avoidable as preferential payments under Section 547 of the Bankruptcy Code should the Issuer or the Borrower become a debtor in proceedings commenced under the Bankruptcy Code, and (e) Investment Income derived from the investment of moneys described in clause (a), (b), (c) or (d).

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

*"Beneficial Owner"* means the beneficial owner of any Bond held in book-entry form or the Registered Owner of any Bond held in certificated form.

*"Bond"* or *"Bonds"* means Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Aspen Park Apartments) Series 2006 in the aggregate principal amount of \$9,800,000.

*"Bond Counsel"* means (a) on the Closing Date, the law firm or law firms delivering the approving opinion(s) with respect to the Bonds or (b) after the Closing Date, any law firm selected by the Issuer and acceptable to Fannie Mae, of nationally recognized standing in matters pertaining to the excludability from gross income, for federal income tax purposes, of the interest payable on bonds issued by states and political subdivisions.

*"Bond Documents"* means the Indenture, the Bonds, the Financing Agreement, the Regulatory Agreement (and any other agreement relating to rental restrictions on the Mortgaged Property), the Bond Purchase Agreement, the Assignment, the endorsement of the Mortgage Note, the Credit Facility, the Tax Certificate, the Disclosure Agreement, and on and after the Conversion Date, the Remarketing Agreement and all other documents, agreements and instruments executed and delivered in connection with the issuance, sale, delivery and/or remarketing of the Bonds, as each such document, agreement or instrument may be amended, modified, supplemented or restated from time to time.

*"Bondholder," "holder," "Owner," "owner," "Registered Owner" or "registered owner"* means, with respect to any Bond, the Registered Owner of the Bond.

*"Bond Payment Date"* means any (a) Interest Payment Date, (b) other date on which interest is payable, including any Redemption Date, the Maturity Date and the date of acceleration of the Bonds and (c) date on which principal of the Bonds is payable.

*"Bond Purchase Agreement"* means the Bond Purchase Agreement, dated November 8, 2006, by and among the Underwriter, Issuer and the Borrower.

*"Bond Purchase Fund"* means the Bond Purchase Fund created by the Indenture.

*"Bond Register"* means the bond register established and maintained by the Trustee pursuant to the Indenture.

*"Bond Registrar"* means the Trustee or its designee as keeper of the Bond Register.

"*Bond Resolution*" means the resolution adopted by the Issuer on October 12, 2006, authorizing and approving the issuance and sale of the Bonds and authorizing and approving the execution and delivery of the Indenture, the Financing Agreement, the Regulatory Agreement, the Bond Purchase Agreement, the Assignment, and certain other documents, making certain appointments and determining certain details with respect to the Bonds.

"*Bond Year*" means each one-year period that ends on the day selected by the Issuer. The first and last Bonds Years may be short periods. If no day is selected by the Issuer before the earlier of the final Maturity Date of the Bonds or the date that is five years after the Closing Date, a Bond Year ends on each anniversary of the Closing Date and on the Final Maturity Date.

"*Book-Entry Bonds*" means any Bonds which are issued in book-entry form, as evidenced by a single certificate for each stated principal maturity of the Bonds, and registered in the name of and delivered to a Securities Depository.

"*Book-Entry System*" means an electronic system in which the clearance and settlement of securities transactions is made through electronic book-entry changes.

"*Borrower*" means Summit Aspen Park Apartments, Ltd., an Alabama limited partnership.

"*Borrower Documents*" means all documents to which the Borrower is a party and which are being executed and delivered by the Borrower in connection with the transactions provided for in the Bond Documents, the Mortgage Loan Documents, the Credit Facility Agreement and the Construction Phase Credit Documents.

"*Borrower's Tax Certificate*" means the Borrower's Tax Certificate executed by the Borrower and delivered on the Closing Date.

"*Business Day*" means any day other than:

- (a) a Saturday or a Sunday; or
- (b) any day on which banking institutions located in the city or cities in which the Principal Office of the Trustee is located are required or authorized by law or executive order to close; or
- (c) on and after the Conversion Date, on which banking institutions located in the city in which the Principal Office of the Loan Servicer is located are required or authorized by law or executive order to close;
- (d) a day on which the Credit Provider is closed; or
- (e) a day on which the New York Stock Exchange is closed.

"*Capitalized Interest Account*" means the Capitalized Interest Account of the Mortgage Loan Fund.

"*Cash Flow Projection*" means a cash flow projection prepared by an independent firm of certified public accountants, a financial advisory firm or other independent third party qualified and experienced in the preparation of cash flow projections for mortgage loans, designated by the Borrower and acceptable to the Credit Provider and the Rating Agency, establishing, to the satisfaction of the Rating Agency, the sufficiency of (a) the scheduled payments due under the Mortgage Note (together with and after taking into account the Initial Debt Service Deposit) and (b) Investment Income with respect to the General Account, to pay the principal of and interest on the Bonds and the Third Party Fees (to the extent included in the Mortgage Note Rate), in each instance, when due and payable, including, but not limited to, any cash flow projection prepared in connection with (i) the initial issuance and delivery of the Bonds, (ii) Conversion, (iii) a remarketing of the Bonds or (iv) a partial prepayment of the Mortgage Loan and a corresponding partial redemption of Bonds.

"*Closing Date*" means the date on which the Bonds are issued and delivered.

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

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

"Computation Date" has the meaning set forth in Section 1.148-1(b) of the Regulations

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

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

"Construction Phase Credit Facility" means the Letter of Credit, dated November 2, 2006, delivered by the Construction Phase Credit Facility Provider to the Credit Provider or any replacement construction phase credit facility acceptable to the Credit Provider.

"Construction Phase Credit Facility Provider" means so long as the Construction Phase Credit Facility is in effect, Regions Bank, an Alabama banking corporation.

"Construction Phase Credit Reimbursement Agreement" means the Construction Credit Facility Reimbursement Agreement, dated as of the date of the Indenture, between the Borrower and the Construction Phase Credit Facility Provider, as such agreement may be amended, modified, supplemented or restated from time to time.

"Construction Phase Financing Agreement" means, collectively, the Master Construction Phase Financing Agreement, dated as of July 18, 2003, and the First Amendment to the Construction Phase Financing Agreement dated as of April 1, 2006, each between Fannie Mae and the Construction Phase Credit Facility Provider, as supplemented by the Supplemental Agreement to Master Construction Phase Financing Agreement, dated as of November 1, 2006 by and among Fannie Mae, the Construction Phase Credit Facility Provider, the Loan Servicer and acknowledged, accepted and agreed to by the Borrower, as it may be amended, modified, supplemented or restated from time to time.

"Construction Phase Loan Agreement" means the Construction Phase Loan Agreement dated as of the date of the Indenture, between the Construction Phase Credit Facility Provider and the Borrower, as such agreement may be amended, modified, supplemented or restated from time to time.

"Conversion" means the conversion of the Mortgage Loan from the Construction Phase to the Permanent Phase.

"Conversion Date" means the date on which the Mortgage Loan converts from the Construction Phase to the Permanent Phase. The Conversion Date is the first day of the Permanent Phase.

"Conversion Notice" means a written notice by the Loan Servicer to the Issuer, the Trustee, the Borrower, the Construction Phase Credit Facility Provider and the Credit Provider given on or before the Termination Date (a) stating that the Final Conditions to Conversion have been satisfied on or before the Termination Date or, if any such Condition to Conversion has not been so satisfied, has been waived in writing by the Credit Provider prior to the Termination Date, and (b) specifying that Conversion has occurred.

"Cost," "Costs" or "Costs of the Mortgaged Property" means, to the extent permitted by the Act, with respect to the Mortgage Property, the costs chargeable to the Mortgaged Property in accordance with generally accepted accounting principles, including, but not limited to, the costs of acquisition, rehabilitation, reconstruction, restoration, repair, alteration, improvement and extension (in any of such events, "construction") of any building, structure, facility or other improvement; stored materials for work in progress; the cost of machinery and equipment; the cost of the land, rights-in-lands, easements, privileges, agreements, franchises, utility extensions, disposal facilities, access roads and site development necessary or useful and convenient for the Mortgaged Property; financing costs, including, but not limited to, the Costs of Issuance, engineering and inspection costs; fees paid to the developer of the Mortgaged Property; organization, administrative, insurance, legal, operating, letter of credit and other expenses of the Borrower actually incurred prior to and during construction; and all such other expenses as may be necessary or incidental to the financing, acquisition, rehabilitation or completion of the Mortgaged Property or any part of it, including, but not limited to, the amount of interest expense incurred with respect to the Mortgage Loan prior to the Completion Date; insurance premiums payable by the Borrower and taxes and other governmental charges levied on the Mortgaged Property.

"Costs of Issuance" means (a) the fees, costs and expenses of (i) the Issuer, the Issuer's counsel and the Issuer's financial advisor, if any, (ii) the Underwriter (including fees to the Underwriter or other purchasers of the Bonds, other than original issue discount, incurred in the issuance and sale of the Bonds) and the Underwriter's counsel, (iii) Bond Counsel, (iv) the Trustee and the Trustee's counsel, (v) the Loan Servicer and the Loan Servicer's counsel, (vi) the Credit Provider and the Credit Provider's counsel, (vii) the Construction Phase Credit Facility Provider and the Construction Phase Credit Facility Provider's counsel, (viii) the Borrower's counsel and the Borrower's financial advisor, if any, (ix) the Rating Agency, and (x) the Asset Oversight Agent, (b) the costs of preparing the initial Cash Flow Projection and the initial Verification Report, (c) costs of printing the offering documents relating to the sale of the Bonds and (d) all other fees, costs and expenses directly associated with the authorization, issuance, sale and delivery of the Bonds, including, but not limited to, printing costs, costs of reproducing documents, filing and recording fees, and any fees, costs and expenses required to be paid to the Loan Servicer in connection with the Mortgage Loan.

"Costs of Issuance Bond Proceeds Account" means the Costs of Issuance Bond Proceeds Account of the Costs of Issuance Fund.

"Costs of Issuance Deposit" means any deposit to be made by the Borrower with the Trustee on the Closing Date and deposited by the Trustee into the Costs of Issuance Deposit Account.

"Costs of Issuance Fund" means the Costs of Issuance Fund created by Indenture.

"Credit Facility" means the Credit Enhancement Instrument (Stand-By), dated as of November 9, 2006 issued by the Credit Provider to the Trustee.

"Credit Facility Account" means the Credit Facility Account of the Revenue Fund created by the Indenture.

"Credit Facility Agreement" means, individually or collectively, the Reimbursement Agreement, the Pledge Agreement and all other agreements and documents securing the Credit Facility Provider or otherwise relating to the provision of the Credit Facility, as any such agreement may be amended, modified, supplemented or restated from time to time.

"Credit Provider" means Fannie Mae.

"Custodian" means the custodian under the Pledge Agreement.

"Dated Date" means the date designated as such on the face of the Bonds.

"Development" means the 256-unit multifamily housing facility for individuals and families of low income in the City of Houston, Texas, known as Aspen Park Apartments, to be financed with the Bonds, as described in the Bond Resolution, including the Land and the Improvements to the Land, comprising the Mortgaged Property.

"*Disclosure Agreement*" means the Continuing Disclosure Agreement, dated as of November 1, 2006, between the Borrower and the Trustee, as Dissemination Agent.

"*Dissemination Agent*" means the Trustee, as Dissemination Agent under the Continuing Disclosure Agreement.

"*DTC*" means The Depository Trust Company and any successor to it or any nominee of it.

"*DTC Participant*" has the meaning given to that term in the Indenture.

"*DTC System*" has the meaning given to that term in the Indenture.

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

"*End Period Payment*" means, with respect to any optional redemption of Bonds pursuant to the Indenture, the premium due on the Bonds, if any, and interest due on the Bonds from the date of prepayment of the Mortgage Loan to the Redemption Date.

"*Event of Default*" means, with respect to the Indenture, any of the events specified in Section 9.1(1) of the Indenture, and, with respect to the Financing Agreement, any of the events specified in Section 13.1(a) of the Financing Agreement.

"*Extraordinary Items*" means, with respect to the Trustee, reasonable compensation for extraordinary services and/or reimbursement for reasonable extraordinary costs and expenses.

"*Fannie Mae*" means Fannie Mae, a corporation duly organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C., § 1716 et seq., and its successors and assigns.

"*Fees Account*" means the Fees Account of the Revenue Fund created by the Indenture.

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

"*Financing Agreement*" means the Financing Agreement, dated as of the date of the Indenture, among the Issuer, the Trustee and the Borrower, as amended, modified, supplemented or restated from time to time.

"*Fund*" means any Fund created by the Indenture.

"*General Account*" means the General Account of the Revenue Fund created by the Indenture.

"*Government Obligations*" means direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, the full faith and credit of the United States of America.

"*Highest Rating Category*" means, with respect to an Investment, given in this definition. If the Bonds are rated by a Rating Agency, the term "Highest Rating Category" means, with respect to an Investment, that the Investment is rated by each Rating Agency in the highest rating given by that Rating Agency for that general category of security. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the term "Highest Rating Category" means, with respect to an Investment, that the Investment is rated by S&P or Moody's the highest rating given by that rating agency for that general category of security. By way of example, the Highest Rating Category for tax-exempt municipal debt established by S&P is "A-1+" for debt with a term of one

year or less and "AAA" for a term greater than one year, with corresponding ratings by Moody's of "MIG-1" (for fixed rate) or "VMIG-1" (for variable rate) for three months or less and "Aaa" for greater than three months. If at any time (i) the Bonds are not rated, (ii) both S&P and Moody's rate an Investment and (iii) one of those ratings is below the Highest Rating Category, then such Investment will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency. For example, an Investment rated "AAA" by S&P and "Aa3" by Moody's is rated in the Highest Rating Category. If, however, the lower rating is more than one full rating category below the Highest Rating Category of that rating agency, then the Investment will be deemed to be rated below the Highest Rating Category. For example, an Investment rated "AAA" by S&P and "A1" by Moody's is not rated in the Highest Rating Category.

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

"*Improvements*" means the improvements made or to be made upon the Land.

"*Indenture*" means the Trust Indenture, dated as of November 1, 2006, as amended, modified, supplemented or restated from time to time as permitted by the Indenture.

"*Indirect Participant*" has the meaning given to that term in the Indenture.

"*Initial Debt Service Deposit*" means the deposit to be made by the Borrower with the Trustee on the Closing Date, as required by the Financing Agreement and deposited by the Trustee, into the General Account.

"*Initial Remarketing Date*" means July 1, 2027.

"*Interest Payment Date*" means (i) January 1 and July 1 of each year, beginning January 1, 2007, (ii) each Redemption Date, (iii) the Maturity Date and (iv) the date of acceleration of the Bonds.

"*Investment Agreement*" means any investment agreement with respect to amounts on deposit in any Fund or Account, as described in paragraph (vii) of the definition of Permitted Investments.

"*Investment Income*" means the earnings, profits and accreted value derived from the investment of moneys pursuant to Article V of the Indenture.

"*Investments*" means any Permitted Investments and any other investment held under the Indenture that does not constitute a Permitted Investment.

"*Issuer*" means Texas Department of Housing and Community Affairs, a public and official agency of the State of Texas, and its successors and assigns.

"*Issuer Administration Fee*" means the fee payable annually in arrears to the Issuer on each November 1 in the amount of .10% per annum of the aggregate principal amount of Bonds Outstanding at the inception of each payment period; provided that, on the Closing Date, the Borrower will pay the Issuer Administration Fee in advance to the Issuer for the period from the Closing Date to October 31, 2008; and provided further that the Trustee will remit to the Issuer, from funds provided by the Borrower, all payments of the Issuer Administration Fee due on or after November 1, 2009.

"*Issuer Compliance Fee*" means the fee payable annually in advance to the Issuer on each November 1, commencing November 1, 2007, in the amount of \$40 per unit in the Development per year (to be increased annually based on any corresponding increase in the Consumer Price Index); provided that, on the Closing Date, the Borrower will pay the Issuer Compliance Fee to the Issuer for the period from November 1, 2007 to October 31, 2008; and provided further that the Trustee will remit to the Issuer, from funds provided by the Borrower, all payments of the Issuer Compliance Fee due on or after November 1, 2008.

"*Issuer's Fee*" means the Issuer Administration Fee and the Issuer Compliance Fee.



"*Land*" means the real property described in the Security Instrument.

"*Letter of Credit*" means the letter of credit to be issued by arrangement of the Construction Phase Credit Facility Provider to Fannie Mae in accordance with the terms and conditions of the Construction Phase Financing Agreement, as such letter of credit may be amended or replaced in accordance with the Construction Phase Financing Agreement, and including any confirming letter of credit issued in accordance with the terms and conditions of the Construction Phase Financing Agreement.

"*Limited Partner*" means Boston Capital Corporate Tax Credit Fund XXVIII, A Limited Partnership, a Massachusetts limited partnership.

"*Loan Servicer*" means Greystone Servicing Corporation, Inc., a Georgia corporation, as servicer of the Mortgage Loan, and any successor servicer appointed by the Credit Facility Provider.

"*Low-Income Tenant*" means a tenant whose Annual Income is 60% or less of Median Gross Income for the Area, as determined under Section 142(d)(2)(B) of the Code. If all the occupants of a Unit are students (as defined under Section 151(c) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, such occupants will not qualify as Low-Income Tenants. The determination of a tenant's status as a Low-Income Tenant will be made by the Owner upon initial occupancy of a Unit in the Development by such tenant, and annually thereafter, on the basis of a Tenant Income Certification executed by each tenant; provided, however that once a tenant qualifies as a Low-Income Tenant, such tenant will continue to qualify annually upon recertification except as provided in the Regulatory Agreement.

"*Maturity Date*" means any maturity date shown in the Indenture.

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

"*Moody's*" means Moody's Investors Service, Inc., a Delaware corporation, and its successors and assigns, or if it shall be dissolved or shall no longer assign credit ratings to long-term debt, then any other nationally recognized statistical rating agency, designated by the Credit Facility Provider, as shall assign credit ratings to long-term debt.

"*Mortgage Loan*" means the loan made by the Issuer to the Borrower pursuant to the terms and provisions of the Financing Agreement, for the purpose of providing funds to the Borrower to finance the acquisition, rehabilitation and equipping of the Mortgaged Property.

"*Mortgage Loan Documents*" means, collectively, the Mortgage Note, the Security Instrument, the Reimbursement Agreement, and all other agreements, documents and instruments evidencing, securing or otherwise relating to the Mortgage Loan, including all amendments, modifications, supplements and restatements of such agreements, documents and instruments, but excluding Financing Agreement and the Regulatory Agreement.

"*Mortgage Loan Fund*" means the Mortgage Loan Fund created by the Indenture.

"*Mortgage Note*" means the Multifamily Note, dated as of November 1, 2006, executed by the Borrower in favor of the Issuer together with all addenda and schedules, as the same may be amended, modified, supplemented or restated from time to time, or any note executed in substitution therefor, as such substitute note may be amended, modified, supplemented or restated from time to time.

"*Mortgage Note Rate*" means the per annum rate of interest set forth in the Mortgage Note.

"*Mortgaged Property*" means the Land and the Improvements.

"*Net Bond Proceeds*" means the proceeds derived from the issuance, sale and delivery of the Bonds, representing the total purchase price of the Bonds, including any premium paid as part of the purchase price of the Bonds, but excluding the accrued interest, if any, on the Bonds paid by the initial purchaser(s) of the Bonds.

"*No-Arbitrage Certificate*" means the No-Arbitrage Certificate of the Issuer dated the date of issuance of the Bonds relating to certain federal income tax matters in respect of the Bonds

"*Opinion of Bond Counsel*" means a written opinion of Bond Counsel addressed to the Issuer, the Trustee and, at its request, the Credit Facility Provider, and in form and substance acceptable to the Issuer, the Trustee and the Credit Facility Provider.

"*Opinion of Counsel*" means a written opinion of legal counsel acceptable to the recipient(s) of the opinion; if the opinion is with respect to an interpretation of federal tax laws or regulations, or bankruptcy matters, such legal counsel shall also be an attorney or firm of attorneys experienced in such matters.

"*Outstanding*" means, when used with reference to the Bonds at any date as of which the amount of Outstanding Bonds is to be determined, all Bonds which have been authenticated and delivered under the Indenture except:

- (a) Bonds canceled or delivered for cancellation at or prior to such date;
- (b) Bonds deemed to be paid in accordance with the Indenture; and
- (c) Bonds in lieu of which others have been authenticated under the Indenture.

In determining whether the owners of a requisite aggregate principal amount of Outstanding Bonds have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the Indenture, Bonds which are owned or held by or for the account of the Borrower, including Purchased Bonds, shall be disregarded and deemed not to be Outstanding under the Indenture for the purpose of any such determination unless all Bonds are Purchased Bonds, Bonds owned or held by or for the account of the Borrower or a combination of Purchased Bonds and Bonds owned or held by or for the account of the Borrower. In determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which are either registered in the name of or known by the Trustee to be held for the account of the Borrower including Purchased Bonds, shall be disregarded.

"*Pass-Through Rate*" has the meaning given to that term in the Mortgage Note.

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

"*Permitted Investments*" means, to the extent authorized by law for the investment of moneys of the Issuer:

- (i) Government Obligations;
- (ii) direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, any agency or instrumentality of the United States of America (other than the Federal Home Loan Mortgage Corporation), which obligations are rated in the Highest Rating Category;
- (iii) obligations, in each case rated in the Highest Rating Category, of (a) any state or territory of the United States of America, (b) any agency, instrumentality, authority or political subdivision of a state or territory, (c) any public benefit or municipal corporation the principal of and interest on which are guaranteed by such state or political subdivision or (d) any state or territory of the United States of America or any agency, instrumentality, authority or political subdivision of a state or territory which have been advance refunded and are secured by Government Obligations or by other such pre-refunded municipal securities;

(iv) any written repurchase agreement entered into with a Qualified Financial Institution whose unsecured short-term obligations are rated in the Highest Rating Category;

(v) commercial paper rated in the Highest Rating Category;

(vi) interest-bearing negotiable certificates of deposit, interest-bearing time deposits, interest-bearing savings accounts and bankers' acceptances, issued by a Qualified Financial Institution if either (a) the Qualified Financial Institution's unsecured short-term obligations are rated in the Highest Rating Category or (b) such deposits or accounts are fully insured by the Federal Deposit Insurance Corporation;

(vii) an agreement held by the Trustee for the investment of moneys at a guaranteed rate (an "Investment Agreement") with (a) the Credit Provider or (b) a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category, or whose obligations are unconditionally guaranteed or insured by a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category, provided that the Investment Agreement is in a form acceptable to the Issuer and the Credit Provider, and provided, further, that the Investment Agreement includes the following restrictions:

(1) the invested funds are available for withdrawal without penalty or premium at any time that (a) the Trustee is required to pay moneys from the Fund(s) to which the Investment Agreement is applicable or (b) any Rating Agency indicates that it will lower, suspend or withdraw or actually lowers, suspends or withdraws the rating on the Bonds on account of the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the Investment Agreement;

(2) the Investment Agreement is the unconditional and general obligation of the Qualified Financial Institution providing, and, if applicable, the Qualified Financial Institution guaranteeing or insuring, the Investment Agreement, and is not subordinated to any other obligation;

(3) the Trustee receives an Opinion of Counsel that the Investment Agreement is legal, valid, binding and enforceable, in accordance with its terms, upon the Qualified Financial Institution providing the Investment Agreement and, if applicable, an Opinion of Counsel that any guaranty or insurance policy provided by a Qualified Financial Institution guaranteeing or insuring the Investment Agreement is legal, valid, binding and enforceable, in accordance with its terms, upon such Qualified Financial Institution; and

(4) the Investment Agreement provides that if during its term the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the Investment Agreement is withdrawn or suspended by any rating agency or falls below the Highest Rating Category, such Qualified Financial Institution will, within ten (10) days following the withdrawal, suspension or downgrade, either: (a) (1) collateralize the Investment Agreement (if the Investment Agreement is not already collateralized) with Permitted Investments described in paragraph (i) or (ii) above by depositing such collateral with the Trustee or a third party custodian, such collateralization to be effected in a manner and in an amount sufficient to maintain: (A) the integrity of the Cash Flow Projection most recently provided with respect to the Bonds and (B) the then-current rating of the Bonds, or, if the Investment Agreement is already collateralized, increase the collateral with Permitted Investments described in paragraph (i) or (ii) above by depositing such collateral with the Trustee or a third party custodian, such collateralization to be effected in a manner and in an amount sufficient to maintain (C) the integrity of the Cash Flow Projection most recently provided with respect to the Bonds and (D) the then-current rating of the Bonds, (2) transfer the Investment Agreement and the rights and obligations of the Qualified Financial Institution under the Investment Agreement to a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category or whose obligations are unconditionally guaranteed or insured by a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category or (3) deliver a guarantee from a

Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category or (b) at the direction of the Trustee, following the failure of the Qualified Financial Institution to take one or more of the actions described in the foregoing clauses (a)(1)-(1)(3), repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Trustee unless required by law (the Investment Agreement may provide that the Qualified Financial Institution providing the Investment Agreement shall have the right to elect among the actions described in clauses (a)(1), (a)(2) and (a)(3), but shall not have the right to elect the action described in clause (b) as an alternative to the actions described in clauses (a)(1), (a)(2) and (a) (3);

(viii) any money market mutual fund (including those of the Trustee and its affiliates) registered under the Investment Company Act of 1940, as amended, that have been rated "AAAm-G" or "AAAm" by S&P or "Aaa" by Moody's, so long as the portfolio of such money market mutual fund is limited to Government Obligations and/or agreements to purchase Government Obligations; if approved in writing by the Credit Provider, a money market mutual fund portfolio may also contain obligations and agreements to repurchase obligations described in paragraphs (ii) or (iii) above; in a money market mutual fund is not a Permitted Investment if both S&P and Moody's rate the money market mutual fund, and one such rating is below the level required by this paragraph (viii).

(ix) any other investment authorized by the laws of the State if such investment is approved by the Credit Provider and the Rating Agency.

provided that Permitted Investments shall not include the following: (1) any investment with a final maturity or any agreement with a term greater than 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 least once within one year of the date of purchase, (b) Government Obligations irrevocably deposited with the Trustee for payment of Bonds pursuant to Article VIII and (c) investments listed in paragraph (vii) and (ix) above), (2) any obligation (other than obligations described in paragraph (i) and (ii) above) with a purchase price greater or less than the par value of such obligation, (3) any asset-backed security, including mortgage-backed securities, real estate mortgage investment conduits, collateralized mortgage obligations, credit card receivable asset-backed securities and auto loan asset-backed securities, (4) any interest-only or principal-only stripped security, (5) any obligation bearing interest at an inverse floating rate, (6) any investment which may be prepaid or called at a price less than its purchase price prior to stated maturity, (7) any investment the interest rate on which is variable and is established other than by reference to a single interest rate index plus a single fixed spread, if any, and which interest rate moves proportionately with that index, (8) any investment described in paragraph (iv) or (vii) above with a Qualified Financial Institution (as defined in clause (d) of the definition of "Qualified Financial Institution") if the Qualified Financial Institution does not agree to submit to jurisdiction, venue and service of process in the United States of America in the Investment Agreement and (9) any investment to which the Rating Agency has added an "r" highlighter.

If an Investment Agreement is entered into which does not require the Qualified Financial Institution providing the Investment Agreement to either (a) satisfy one or more of the requirements of clause (a) of subparagraph (4) of paragraph (vii) above upon a withdrawal or suspension of, or downgrade in the rating of the Qualified Financial Institution providing the Investment Agreement or (b) compensate the Trustee for any loss in yield upon reinvestment if the Investment Agreement is terminated following a withdrawal or suspension of, or downgrade in, the rating of the Qualified Financial Institution providing, guaranteeing or insuring the Investment Agreement, the yield on the Investment Agreement above the minimum yield permitted by the Rating Agency (presently 1.25% per annum) shall not be taken into account in any Cash Flow Projection provided to the Rating Agency in connection with its rating of the Bonds.

"Person" means any natural person, firm, partnership, association, limited liability company, corporation, company or public body.

"Persons with Special Needs" means persons who (i) are considered to be disabled or handicapped under State or federal law, (ii) are elderly, meaning 60 years of age or more, (iii) are designated by the governing board of

the Issuer as experiencing a unique need for decent, safe housing that is not being met adequately by private enterprise, or (iv) are legally responsible for caring for an individual described by clauses (i), (ii) or (iii) above and meet the income guidelines established by the governing board of the Issuer.

*"Pledge Agreement"* means the Pledge, Security and Custody Agreement, dated as of November 1, 2006, by and among the Borrower, the Trustee, as collateral agent for Fannie Mae, and Fannie Mae, as such agreement may be amended, modified, supplemented or restated from time to time.

*"Pledged Bond"* means any Bond (a) tendered for purchase by a Bondholder pursuant to the Indenture and purchased by the Trustee for the account of the Borrower, with amounts provided by Fannie Mae under the Credit Facility, and (b) pledged to the Custodian under the Pledge Agreement for the benefit of Fannie Mae. A Bond is a "Pledged Bond" only during the period (a) beginning on and including the date of its purchase by the Borrower and (b) ending on and excluding the date on which the Amount Available under (and as defined in) the Credit Facility with respect to the Bond is reinstated under the Credit Facility.

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

*"Project Account"* means the Project Account of the Mortgage Loan Fund created by the Indenture.

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

*"Qualified Financial Institution"* means any (a) bank or trust company organized under the laws of any state of the United States of America, (b) national banking association, (c) savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, (d) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, (e) government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, (f) securities dealer approved in writing by the Credit Provider the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation and (g) any other entity which is acceptable to the Credit Provider. With respect to an entity which provides an agreement held by the Trustee for the investment of moneys at a guaranteed rate as set out in paragraph (vii) of the definition of the term "Permitted Investments" or an entity which guarantees or insures, as applicable, the agreement, a "Qualified Financial Institution" may also be a corporation or limited liability company organized under the laws of any state of the United States of America.

*"Rating Agency"* means any national rating agency then maintaining a rating on the Bonds.

*"Rating Category"* means one of the generic rating categories of the Rating Agency.

*"Rebate Analyst"* means a person that is (a) qualified and experienced in the calculation of rebate payments under Section 148 of the Code and in compliance with the arbitrage rebate regulations promulgated under the Code, (b) chosen by the Borrower and (c) engaged for the purpose of determining the amount of required deposits, if any, to the Rebate Fund.

*"Rebate Analyst's Fee"* means the fee of the Rebate Analyst, if any, for its rebate calculation services, of which a maximum amount of \$5,000 is payable from payments under the Mortgage Note which shall accrue and be payable every fifth year as rebate calculations are required, with any additional fee of the Rebate Analyst to be paid by the Borrower pursuant to the Financing Agreement; provided, that to the extent of a redemption in part of the Outstanding principal amount of the Bonds otherwise than in connection with a mandatory sinking fund redemption pursuant to the Indenture, the amount of the Rebate Analyst's Fee payable from funds under the Mortgage Note and

the Indenture shall be ratably reduced, and the Borrower shall pay to the Rebate Analyst directly the difference between the amount of the Rebate Analyst's Fee payable under the Indenture and the total amount of such fee.

"*Rebate Fund*" means the Rebate Fund created by the Indenture.

"*Record Date*" means, with respect to any Interest Payment Date, the fifteenth day of the month preceding the month in which the Interest Payment Date falls.

"*Redemption Account*" means the Redemption Account of the Revenue Fund created by the Indenture.

"*Redemption Date*" means any date upon which Bonds are to be redeemed pursuant to the Indenture.

"*Registered Owner*" or "*Registered Owners*" means the registered owner or owners of any Bonds, as shown in the Bond Register.

"*Regulations*" means any proposed, temporary, or final Income Tax Regulations issued pursuant to sections 103 and 141 through 150 of the Code. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

"*Regulatory Agreement*" means the Regulatory and Land Use Restriction Agreement including the Fannie Mae rider attached thereto, relating to the Development, dated as of November 1, 2006, by and among the Issuer, the Trustee and the Borrower, as amended, modified, supplemented or restated from time to time.

"*Reimbursement Agreement*" means the Reimbursement Agreement, dated as of the date of the Indenture, between the Credit Provider and the Borrower, as amended, modified, supplemented or restated from time to time or any agreement entered into in substitution therefor.

"*Remarketing Agent*" means Merchant Capital, L.L.C. and any successor designated in the manner provided in the Indenture.

"*Remarketing Agreement*" means the Remarketing Agreement, dated as of November 1, 2006, between the Borrower and the Remarketing Agent, as amended, modified, supplemented or restated from time to time, or any agreement entered into in substitution therefor with a substitute Remarketing Agent.

"*Remarketing Date*" means (a) the Initial Remarketing Date and (b) if the Bonds Outstanding on such date or on any subsequent Remarketing Date are remarketed pursuant to the Indenture for a Remarketing Period which does not extend to the final maturity of the Bonds, the day after the last day of the Remarketing Period.

"*Remarketing Expenses*" means the fees, costs and expenses incurred by the Trustee and its counsel, the Remarketing Agent and its counsel, the Issuer and its counsel, the Loan Servicer and its counsel, Fannie Mae and its counsel and Bond Counsel in connection with the remarketing of the Bonds, including bond printing and registration costs, costs of funds advanced by the Remarketing Agent, registration and filing fees, rating agency fees and other costs and expenses incurred in connection with or properly attributable to the remarketing of Bonds.

"*Remarketing Expenses Account*" means the Remarketing Expenses Account of the Bond Purchase Fund.

"*Remarketing Period*" means the period beginning on a Remarketing Date and ending, as the case may be, on the last day of the term for which Bonds are remarketed pursuant to the Indenture or the final Maturity Date of the Bonds, as applicable.

"*Remarketing Proceeds Account*" means the Remarketing Proceeds Account of the Bond Purchase Fund.

"*Remarketing Rate*" means the interest rate established pursuant to the Indenture and borne by the Bonds then Outstanding from and including each Remarketing Date to, but not including, the next succeeding Remarketing Date or the final Maturity Date of the Bonds, as applicable.

"*Replacement Credit Facility*" has the meaning given to that term in the Indenture.

"*Requisition*" means, (i) with respect to the Mortgage Loan Fund, the requisition in the form of Exhibit B to the Indenture required to be submitted in connection with disbursements from the Project Account of the Mortgage Loan Fund and, (ii) with respect to the Costs of Issuance Fund, the requisition in the form of Exhibit C to the Indenture required to be submitted in connection with disbursements from the Costs of Issuance Fund, and (iii) with respect to the Equity Fund, the requisition in the form of Exhibit E to the Indenture to be submitted in connection with disbursements from the Equity Fund.

"*Reserved Rights*" means (a) all of the Issuer's right, title and interest in and to all reimbursement, costs, expenses and indemnification rights of the Issuer, (b) all rights of the Issuer to receive the Issuer's fees and any rebate amount, (c) all rights of the Issuer to receive notices, reports and other statements and to make any determination and to grant any approval or consent to anything in the Indenture, the Financing Agreement and the Regulatory Agreement requiring the determination, consent or approval of the Issuer, (d) all rights of the Issuer of access and to enforce the representations, warranties, covenants and agreements of the Borrower set forth in the Borrower's Tax Certificate and in the Regulatory Agreement, (e) any and all rights, remedies and limitations of liability of the Issuer set forth in the Indenture, the Financing Agreement and the Regulatory Agreement regarding (1) the negotiability, registration and transfer of the Bonds, (2) the loss or destruction of the Bonds, (3) the limited liability of the Issuer as provided in the Act, the Indenture, the Financing Agreement and the Regulatory Agreement, (4) the maintenance of insurance by the Borrower, (5) no liability of the Issuer to third parties, and (6) no warranties of suitability or merchantability by the Issuer, (f) all rights of the Issuer in connection with any amendment to or modification of the Indenture, the Financing Agreement and the Regulatory Agreement, (g) any and all limitations of the Issuer's liability and the Issuer's disclaimers of warranties set forth in the Indenture, the Regulatory Agreement or the Financing Agreement, and the Issuer's right to inspect and audit the books, records and permits of the Borrower and the Development, and (h) any and all rights under the Financing Agreement and the Regulatory Agreement required for the Issuer to enforce or to comply with Section 2306.186 of the Texas Government Code.

"*Revenue Fund*" means the Revenue Fund created by the Indenture.

"*Revenues*" means all (a) payments made under the Mortgage Note, (b) payments made under the Credit Facility and (c) Investment Income (excluding Investment Income earned from moneys on deposit in the Fees Account, the Rebate Fund and the Costs of Issuance Deposit Account and the Equity Fund).

"*Securities Depository*" means, initially, The Depository Trust Company, New York, New York, and its successors and assigns, and any replacement securities depository appointed under the Indenture.

"*Security*" means the Trust Estate and the Credit Facility.

"*Security Instrument*" or "*Mortgage*" means the Multifamily Deed of Trust, Assignment of Rents and Security Agreement and Fixture Filing, dated as of the date of the Indenture, together with all riders and exhibits, securing the Mortgage Note, executed by the Borrower with respect to the Mortgaged Property, as it may be amended, modified, supplemented or restated from time to time, or any security instrument executed in substitution therefor, as such substitute security instrument may be amended, modified, supplemented or restated from time to time.

"*Servicing Fee*" means the fee payable to the Loan Servicer for servicing the Mortgage Loan for Fannie Mae on and after the Conversion Date.

"*S&P*" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns, or if it shall be dissolved or shall no longer assign credit ratings to long-term debt, then any

other nationally recognized statistical rating agency, designated by the Issuer and acceptable to the Trustee, Fannie Mae and the Borrower, as shall assign credit ratings to long-term debt.

"*State*" means the State of Texas.

"*State Restrictive Period*" means, with respect to the Development, the period beginning on the first day on which the Owner takes legal possession of the Development, and at least 10% of the Units are available for occupancy and ending on the latest of (i) the date that is 30 years after the first day of the State Restrictive Period, (ii) the first date on which no tax-exempt private activity bond issued with respect to the Development is outstanding for federal income tax purposes, or (iii) the date on which any assistance provided with respect to the Development under Section 8 of the Housing Act terminates.

"*Strike Rate*" means, 5.00% per annum or such other per annum interest rate as may be approved by the Credit Provider in its sole discretion, but in no event higher than 12%.

"*Supplemental Indenture*" means any indenture duly authorized and entered into between the Issuer and the Trustee amending or supplementing the Indenture in accordance with the provisions of the Indenture.

"*Tax Certificate*" means collectively the No-Arbitrage Certificate and the Borrower's Tax Certificate.

"*Termination Date*" means December 1, 2008, unless extended by the Credit Provider at the request of the Loan Servicer, including any Termination Date established retroactively by the Credit Provider; provided, however, the Termination Date shall not be extended beyond June 1, 2009 without the Trustee receiving written confirmation from the Rating Agency that the rating to be in effect with respect to the Bonds from and after June 1, 2009 will not be lower than the rating then in effect for the Bonds.

"*Third Party Fees*" means, individually or collectively, as the context shall require, (a) the Trustee's Annual Fee, (b) the Issuer's Fee, (c) the Asset Oversight Agent's Fee, and (d) the Rebate Analyst's Fee, if any.

"*Trust Estate*" means the property, rights, money, securities and other amounts pledged and assigned by the Issuer to the Trustee pursuant to the Indenture and the Assignment.

"*Trustee*" means Regions Bank, an Alabama banking corporation, duly organized and existing under the laws of the United States, or its successors or assigns, or any other corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at any time serving as successor trustee under the Indenture.

"*Trustee's Annual Fee*" means the annual ongoing trust administration fee of the Trustee equal to \$3,500 per annum, payable annually in advance on each November 1 (except for the Trustee's Annual Fee for the first year, which shall be payable on the Closing Date) by the Borrower to the Trustee pursuant to the Financing Agreement and the Indenture.

"*Undelivered Bond*" means any Bond that is required under the Indenture to be delivered to the Remarketing Agent or the Trustee for purchase on a Remarketing Date but that has not been received on the date such Bond is required to be so delivered.

"*Underwriter*" means Merchant Capital, L.L.C.

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

"*Verification Agent*" means an independent firm of certified public accountants, an independent financial advisory firm or other independent third party designated by the Borrower and acceptable to Fannie Mae, qualified and experienced in the verification of the mathematical accuracy of scheduled cash flows and other funds to pay the principal of and interest on bonds and fees, which has been engaged to prepare a Verification Report.



"*Verification Report*" means a report prepared by a Verification Agent verifying the mathematical accuracy of a Cash Flow Projection.

"*Wrongful Dishonor*" means an uncured failure by Fannie Mae to make an Advance to the Trustee upon proper presentation of a Certificate which conforms to the terms and conditions of the Credit Facility.

## APPENDIX B

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### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of the provisions of the Indenture by and between the Issuer and the Trustee. The summary does not purport to be complete or definitive and reference is made to the full text of the Indenture for a complete recital of its terms, a copy of which is on file with the Issuer and the Trustee.

#### Creation of Funds and Accounts

The following Funds and Accounts are created by and shall be held and administered by the Trustee in accordance with the provisions of the Indenture:

- (a) the Mortgage Loan Fund and, within the Mortgage Loan Fund, a Project Account and a Capitalized Interest Account;
- (b) the Revenue Fund and, within the Revenue Fund, the General Account, the Redemption Account, the Credit Facility Account and the Fees Account;
- (c) the Costs of Issuance Fund and within the Costs of Issuance Fund the Costs of Issuance Deposit Account and the Costs of Issuance Bond Proceeds Account;
- (d) the Rebate Fund;
- (e) the Bond Purchase Fund and, within the Bond Purchase Fund, a Remarketing Proceeds Account and a Remarketing Expenses Account; and
- (f) the Equity Fund.

#### The Mortgage Loan Fund

*Disbursements and Transfers.* Amounts on deposit in (a) the Project Account shall, with the approval of the Construction Phase Credit Facility Provider, be disbursed by the Trustee from time to time for the sole purpose of paying Costs of the Mortgaged Property approved by the Construction Phase Credit Facility Provider pursuant to the Construction Phase Credit Documents and (b) the Capitalized Interest Account shall be transferred automatically by the Trustee to the General Account monthly, in full or partial satisfaction of monthly payments of interest payable by the Borrower under the Mortgage Note until the Capitalized Interest Account is depleted. Transfers from the Capitalized Interest account to the General Account shall be made not later than three (3) Business Days prior to the respective dates on which the Borrower's monthly payments of interest are due. The Trustee shall immediately notify the Construction Phase Credit Facility Provider if sufficient funds are not available to make the transfers as and when required by the Indenture.

#### Transfers to Effect Certain Special Mandatory Redemptions of Bonds

*Conversion; Excess Mortgage Loan Fund Moneys.* On the Conversion Date (and, if applicable, from time to time after the Conversion Date) the Trustee shall transfer to the Redemption Account any amounts remaining on deposit in the Mortgage Loan Fund which are not required to pay Costs of the Mortgaged Property not yet due and payable or which are being contested in good faith, in each case as determined under the Construction Phase Credit Documents, provided that any remaining amount less than \$5,000 or any amount in excess of a multiple of \$5,000 shall be transferred to the General Account. The Trustee shall apply any amounts so transferred to the redemption of Bonds.

*Failure of Conversion; Excess Mortgage Loan Fund Moneys.* If the Loan Servicer does not issue the Conversion Notice on or before the Termination Date, the Trustee shall, promptly following the Termination Date, unless otherwise directed in writing by the Credit Provider, transfer any amounts remaining on deposit in the

Mortgage Loan Fund on the Termination Date to the Redemption Account, provided that if the Trustee purchases the Bonds for the account of the Construction Phase Credit Facility Provider, such transfer shall be made on such later date as shall be specified in writing by the Construction Phase Credit Facility Provider, but in any event not later than three (3) years after the Closing Date and provided further that at the time of such transfer any amount in excess of a multiple of \$5,000 shall be transferred to the General Account. The Trustee shall apply any amounts so transferred to the Redemption Account to the redemption of Bonds.

***Certain Other Special Redemptions.*** Immediately prior to (a) any special mandatory redemption of the Bonds in whole due to casualty or condemnation or due to certain defaults, any amounts then remaining in the Mortgage Loan Fund shall, at the written direction of the Credit Provider, be transferred to the Redemption Account to be applied to the redemption of Bonds pursuant to the applicable provision.

### **The Revenue Fund**

***Deposits Into the General Account.*** The Trustee shall deposit each of the following amounts into the General Account of the Revenue Fund:

- (a) on the Closing Date, the Initial Debt Service Deposit and the accrued interest on the Bonds, as provided in the Indenture;
- (b) all moneys transferred from the Capitalized Interest Account;
- (c) all regularly scheduled payments of principal, if any, and interest on the Mortgage Loan;
- (d) interest paid in connection with any prepayment of the Mortgage Loan;
- (e) all Investment Income on the Funds and Accounts (except that Investment Income earned on amounts on deposit in the Accounts of the Mortgage Loan Fund shall be credited to and be retained in the respective Accounts of the Mortgage Loan Fund, Investment Income earned on amounts on deposit in the Rebate Fund shall be credited to and be retained in the Rebate Fund and Investment Income earned on amounts on deposit in the Costs of Issuance Deposit Account shall be credited to and be retained in the Costs of Issuance Deposit Account and Investment Income earned on amounts on deposit in the Equity Fund shall be credited to and be retained in the Equity Fund);
- (f) from time to time, upon receipt, Available Moneys provided pursuant to the Indenture to fund the interest portion of any End Period Payment; and
- (g) any other moneys made available for deposit into the General Account from any other source, including, but not limited to, any excess amounts in the Bond Purchase Fund pursuant to the Indenture.

***Deposits Into the Redemption Account.*** The Trustee shall deposit each of the following amounts into the Redemption Account of the Revenue Fund:

- (a) any prepayment of principal of the Mortgage Loan, and any Available Moneys provided by or on behalf of the Borrower pursuant to the Indenture to fund any premium on the Bonds to be paid in connection with such prepayment;
- (b) that portion of any other deposit or transfer of funds representing principal corresponding to the principal to be paid on any optional or special mandatory redemption of Bonds;
- (c) any amount required to be transferred from the Mortgage Loan Fund to the Redemption Account described in the previous section "Transfers to Effect Certain Special Mandatory Redemptions of Bonds;"

(d) any amount required to be transferred from the General Account to the Redemption Account described in paragraph (ii) of the section "Disbursements From the Accounts of the Revenue Fund" below;

(e) after the Conversion Date, the amounts provided for in paragraph (v) of the section "Disbursements From the Accounts of the Revenue Fund" below; and

(f) any other amount received by the Trustee and required by the terms of the Indenture or the Financing Agreement to be deposited into the Redemption Account.

**Deposits Into the Credit Facility Account.** The Trustee shall deposit all amounts advanced under the Credit Facility, including amounts advanced in respect of the Special Purchase Price of Bonds to be purchased in lieu of redemption pursuant to the Indenture, into the Credit Facility Account. No other moneys shall be deposited into the Credit Facility Account. The Credit Facility Account shall be closed at such time as the Credit Provider has no continuing liability under the Credit Facility.

**Deposits Into the Fees Account.** The Trustee shall deposit into the Fees Account the amounts provided for in the Indenture and any payment of a Third Party Fee pursuant to the Financing Agreement, to the extent that such Third Party Fee is not included in the Mortgage Note Rate.

**Disbursements From the Accounts of the Revenue Fund.** Moneys on deposit in the various Accounts of the Revenue Fund shall be disbursed or transferred, as applicable:

(a) from the General Account at the following times, applied in the following manner and in the following order of priority:

(i) on each Interest Payment Date, the Trustee shall disburse an amount equal to the amount of interest due on the Bonds on such Interest Payment Date and shall apply such amount to the payment of such interest so due;

(ii) on each Redemption Date on which a mandatory sinking fund redemption pursuant to the Indenture is scheduled to take place, the Trustee shall transfer to the Redemption Account an amount of principal equal to the sinking fund redemption payment due on such Redemption Date;

(iii) on each Maturity Date and on the date of acceleration of the Bonds, the Trustee shall disburse an amount equal to the principal due on the Bonds on such date and shall apply such amount to the payment of such principal so due;

(iv) on each Interest Payment Date, the Trustee shall transfer an aggregate amount equal to that portion of the Issuer's Administration Fee, the Trustee's Annual Fee, and the Rebate Analyst's Fee (to the extent (A) such Third Party Fees are included in the Mortgage Note Rate pursuant to the Financing Agreement and (B) such Third Party Fees are not paid in advance on the Closing Date) payable on such date (or on any date prior to the next Interest Payment Date) to the Fees Account;

(v) on each Interest Payment Date following the Conversion Date, and following the disbursement, transfer and application of funds described in the preceding paragraphs (i) through (iv), the Trustee shall transfer any amounts remaining in the General Account in excess of the minimum balance required to be maintained as set forth as the "Carry-Forward Balance" attached to the Indenture to the Redemption Account and, following such transfer, shall apply any moneys so transferred (including any moneys so transferred on any prior Interest Payment Date), to the redemption of Bonds as provided in the Indenture;

(b) from the Redemption Account at the following times and in the following manner:

(i) on each Redemption Date on which a mandatory sinking fund redemption is scheduled to take place, the Trustee shall apply amounts on deposit in the Redemption Account, including amounts transferred pursuant to subparagraph (a)(ii) above to payment of the sinking fund redemption due on such Redemption Date; and

(ii) on each Redemption Date on which redemption is scheduled to take place, the Trustee shall apply amounts on deposit in the Redemption Account to the payment of principal of and premium, if any, on the Bonds to be redeemed on such Redemption Date.

(c) from the Credit Facility Account at the following times and in the following manner; the Trustee shall, on each date on which a payment is due under the Indenture and in respect of which an Advance is made under the Credit Facility, apply such Advance, on the date such payment is due, to the payment of the amounts in respect of which such Advance was made.

(d) from the Fees Account, at the following times and in the following manner:

(i) the Trustee shall disburse moneys on deposit in the Fees Account on the applicable date as set forth in the Indenture to the payment of Third Party Fees in satisfaction of the obligations of the Borrower under the Financing Agreement; and

(ii) in the event the amount in the Fees Account is insufficient to pay such Third Party Fees, the Trustee shall inform the Loan Servicer and make written demand on the Borrower for the amount of such insufficiency and, pursuant to the terms of the Financing Agreement, the Borrower shall be liable to promptly pay the amount of such insufficiency to the Trustee within five Business Days after the date of the Trustee's written demand.

#### **The Costs of Issuance Fund**

*Deposits Into Costs of Issuance Fund.* On the Closing Date the Borrower shall deliver to the Trustee the Net Bond Proceeds and the Costs of Issuance Deposit, if any, necessary to pay Costs of Issuance.

*Disbursements from the Costs of Issuance Fund.* The Trustee shall disburse moneys on deposit in the Costs of Issuance Fund pursuant to a letter of instruction signed by an Authorized Officer or requisitions in the Indenture, signed by an Authorized Borrower Representative, to pay Costs of Issuance. The Trustee may conclusively rely on such requisitions for purposes of making such disbursements. Amounts paid for Costs of Issuance shall be paid by the Trustee, first, from the Costs of Issuance Deposit Account and second, from the Costs of Issuance Bond Proceeds Account. Moneys on deposit in the Costs of Issuance Deposit Account of the Costs of Issuance Fund shall not be part of the Trust Estate and shall be used solely to pay Costs of Issuance.

*Disposition of Remaining Amounts.* Any moneys remaining in the Costs of Issuance Deposit Account six (6) months after the Closing Date and not needed to pay still unpaid Costs of Issuance shall be returned to the Borrower. Any moneys remaining in the Costs of Issuance Bond Proceeds Account six (6) months after the Closing Date and not needed to pay still unpaid Costs of Issuance shall be transferred to the Project Account. Upon final disbursement and/or transfer, the Trustee shall close the Costs of Issuance Fund.

#### **The Rebate Fund**

*Deposits; Administration.* All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy any rebate requirement (as calculated by the Rebate Analyst) for the benefit of the United States Government; none of the Issuer, the Borrower, the Bondholders or the Credit Provider shall have any rights in or claim to such moneys. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any rebate requirement, or provision made therefor satisfactory to the Trustee, shall be withdrawn and remitted (i) first, to the Credit Provider to the extent amounts remain due and payable to the Credit Provider, and (ii) second, to the Borrower as provided in the Indenture and the Tax Certificate to the Borrower.

Within 30 days after each Computation Date, the Trustee, on behalf of the Issuer, shall withdraw from the Rebate Fund and pay to the United States of America the appropriate portion of the Rebate Amount (determined by the Rebate Analyst on behalf of the Borrower) in the installments, to the place and in the manner required by section 148(f) of the Code, the Regulations, and rulings thereunder as instructed by the Borrower or its legal counsel and as further provided in the Indenture.

### **Bond Purchase Fund**

*Deposits; Application.* The Trustee shall deposit:

- (i) all proceeds of the remarketing of Bonds remitted to the Trustee by the Remarketing Agent pursuant to the provisions of the Indenture into the Remarketing Proceeds Account; and
- (ii) all amounts paid to the Trustee by the Borrower, the Issuer or the Credit Provider to pay Remarketing Expenses into the Remarketing Expenses Account.

The Trustee shall apply amounts on deposit in the (a) Remarketing Proceeds Account to pay the purchase price of Bonds purchased under the Indenture to the former owners of such Bonds as provided in the Indenture, and (b) Remarketing Expenses Account to pay Remarketing Expenses as provided in the Indenture.

*Payment of Excess Amounts If Bonds Not Remarketed.* In the event that the Bonds Outstanding are not remarketed on a scheduled Remarketing Date, all amounts in the Bond Purchase Fund in excess of amounts on deposit in the Bond Purchase Fund required to pay the purchase price of the Bonds shall be disbursed as provided in the Indenture.

*Payment of Excess Amounts If Bonds Remarketed.* In the event that the Bonds Outstanding are remarketed and the proceeds of remarketing exceed 100% of the principal amount of the Bonds Outstanding or in the event funds received by the Trustee to pay Remarketing Expenses are not required for such purpose, such excess amounts shall be transferred to the General Account.

### **Equity Fund**

*Deposits into the Equity Fund.* All funds designated by the Borrower as equity funds shall be deposited by the Trustee in the Equity Fund. The Equity Fund shall not be considered part of the Trust Estate and is not pledged under the Indenture.

*Disbursements.* The Trustee shall make disbursements from the Equity Fund only upon the receipt of Requisitions, each in the form attached to the Indenture, signed by an Authorized Borrower Representative and countersigned by an Authorized Construction Phase Credit Facility Provider Representative and the Limited Partner. The Trustee shall have no duty to determine whether any requested disbursement from the Equity Fund complies with the Construction Phase Credit Documents or any of the partnership documents.

### **Reports by the Trustee**

The Trustee shall, on or before the 20th day of each month, file with the Loan Servicer, the Issuer and the Borrower a statement setting forth in respect of the preceding calendar month:

- (a) the amount withdrawn or transferred by it and the amount deposited within or on account of each Fund and Account, including the amount of Investment Income on each Fund and Account, including the amount transferred to the General Account;
- (b) the amount on deposit with it at the end of such month to the credit of each Fund and Account;

(c) a brief description of all obligations held as an investment of moneys in each such Fund and Account;

(d) the amount applied to the purchase or redemption of Bonds and a description of the Bonds or portions of Bonds so purchased or redeemed; and

(e) any other information which the Borrower, the Credit Provider, the Loan Servicer or the Issuer may reasonably request.

No such monthly statement need be rendered pursuant to the provisions of the Indenture if no activity occurred in the Fund or Account during such preceding month. Upon the written request of any Bondholder owning 25% or more in aggregate principal amount of Bonds then Outstanding, the Trustee, at the Borrower's expense, shall provide a copy of such statement to such Person. All records and files pertaining to the Trust Estate shall be open at all reasonable times during regular business hours of the Trustee to inspection and audit by the Issuer, the Borrower, the Loan Servicer, the Credit Provider, and, so long as the Construction Phase Credit Facility is in effect, the Construction Phase Credit Facility Provider, and their agents and representatives upon reasonable prior notice.

### **Investments**

Moneys held as part of any Fund or Account shall be invested and reinvested in Permitted Investments. Permitted Investments shall have maturities corresponding to, or shall be available for withdrawal without penalty no later than, the dates upon which such moneys will be needed for the purpose for which such moneys are held. Moneys on deposit in the (a) General Account and the Fees Account shall be invested only in investments described in paragraphs (i), (ii), (iii), (vii) and (viii) of the definition of Permitted Investments set forth in this Official Statement, (b) Redemption Account shall be invested only in investments described in paragraph (i) of the definition of Permitted Investments set forth in this Official Statement, (c) Credit Facility Account and the Bond Purchase Fund shall be held uninvested, and (d) Costs of Issuance Fund shall, until disbursed or returned to the Borrower or to the Project Account pursuant to the Indenture, be invested only in investments described in paragraph (viii) of the definition of Permitted Investments set forth in this Official Statement. Permitted Investments shall be held by or under the control and administration of the Trustee. All Investment Income from moneys held in all Funds and Accounts other than the Mortgage Loan Fund, the Rebate Fund and the Costs of Issuance Fund (other than as provided below) shall, upon receipt, be deposited into the General Account of the Revenue Fund; Investment Income from moneys held in the Mortgage Loan Fund shall be retained in the Mortgage Loan Fund; Investment Income from moneys held in the Rebate Fund shall be retained in the Rebate Fund and Investment Income from moneys held in the Costs of Issuance Deposit Account shall be retained in the Costs of Issuance Deposit Account; Investment Income from moneys held in the Equity Fund shall be retained in the Equity Fund.

### **Discharge of Lien and Security Interest**

*Discharge.* Upon satisfaction of the conditions precedent set out in the Indenture, the Trustee shall (a) execute and deliver to the Issuer such instruments in writing prepared by the Borrower or its counsel and provided to the Trustee and the Credit Provider as shall be required to cancel and discharge the Indenture and the pledge and assignment of the Trust Estate, (b) reconvey, assign and deliver to the Issuer so much of the Trust Estate as may be in its possession or subject to its control (except for (1) moneys and Government Obligations held for the purpose of paying Bonds and (2) moneys and Permitted Investments held in the Rebate Fund for payment to the United States Government), who shall, in turn, convey, assign and deliver the remaining Trust Estate to the Borrower, and (c) return the Credit Facility to the Credit Provider.

*Conditions to Discharge.* The conditions precedent to the cancellation and discharge of the Indenture and the other acts described in the paragraph immediately above are (a) payment in full of the Bonds, (b) payment of the Trustee's Annual Fees and the Trustee's ordinary costs and expenses under the Indenture, (c) receipt by the Trustee of a written statement from the Credit Provider stating that all obligations owed to the Credit Provider under the Credit Facility Agreement and the Mortgage Loan Documents have been fully paid, (d) receipt by the Trustee of a written statement from the Construction Phase Credit Facility Provider stating that all amounts owed to the Construction Phase Credit Facility Provider in respect of the Construction Phase Credit Facility have been fully paid, (e) payment of all Extraordinary Items, (f) receipt by the Trustee of a written statement from the Issuer stating



that all amounts owed to the Issuer in respect of Reserved Rights have been fully paid, (g) receipt by the Trustee of an Opinion of Counsel, at the expense of the Borrower, to the effect that the Credit Provider has no further obligation under the Credit Facility and (h) receipt by the Trustee of an Opinion of Counsel, at the expense of the Borrower, stating that all conditions precedent to the satisfaction and discharge of the Indenture have been satisfied.

## **Defeasance**

*Provision for Payment of Bonds.* Any Bond shall be deemed to have been paid within the meaning of the Indenture if:

(a) there has been irrevocably deposited with the Trustee either (i) sufficient Available Moneys or (ii) Government Obligations, which are not subject to early redemption and which are purchased with Available Moneys, of such maturities and interest payment dates and bearing such interest as will, without further investment or reinvestment of either the principal amount of such Government Obligations or the interest earnings on such Government Obligations (the earnings to be held in trust also), be sufficient, together with any Available Moneys deposited pursuant to the paragraph, in each case, as verified by a written report of an independent certified public accountant, for the payment on their respective maturity dates, or redemption dates prior to maturity, of the principal of such Bonds and redemption premium, if any, and interest to accrue on such Bonds to such maturity or redemption dates, provided that the Trustee shall have received, at the expense of the Borrower (A) an Opinion of Counsel rendered by bankruptcy counsel that such Available Moneys or Government Obligations purchased with Available Moneys are not subject to avoidance under the Indenture 547 or 544 and are not subject to an automatic stay pursuant to Section 362 of the Bankruptcy Code or any successor statute, and, as such, are not recoverable under Section 550(a) of the Bankruptcy Code or other applicable insolvency law, should there be a petition by or against the Borrower, any general partner of the Borrower or the Issuer under the Bankruptcy Code or any other bankruptcy act, and (B) an Opinion of Bond Counsel to the effect that such deposit with the Trustee and consequent defeasance of the Bonds does not adversely affect the excludability of the interest payable on the Bonds from gross income for federal income tax purposes;

(b) all Third Party Fees due or to become due have been paid or sufficient additional moneys to make the required payments have been irrevocably deposited with the Trustee; and

(c) for any such Bonds to be redeemed on any date prior to their maturity, the Trustee shall have received in form satisfactory to it irrevocable instructions to redeem such Bonds on a date on which the Bonds are subject to redemption, and either evidence satisfactory to the Trustee that all redemption notices required by the Indenture have been given or irrevocable power authorizing the Trustee to give such redemption notices.

The Trustee shall redeem the Bonds specified by such irrevocable instructions on the date specified by such irrevocable instructions.

## **Default Provisions and Remedies**

*Events of Default.* Each of the following shall constitute an Event of Default:

(a) default in the payment of any interest due on any Bond (other than a Pledged Bond) (including, unless the Construction Phase Credit Facility Provider specifies otherwise by written notice to the Trustee, a Special Purchase Bond), on any Interest Payment Date or any other date when and as the same becomes due;

(b) default in the payment of the principal of any Bond (other than a Pledged Bond) (including unless the Construction Phase Credit Facility Provider specifies otherwise by written notice to the Trustee a Special Purchase Bond), when and as the same becomes due, whether at the stated maturity of the Bond or upon any redemption of the Bond;

(c) written notice to the Trustee from the Credit Provider of a default by the Issuer in the observance or performance of any covenant, agreement, warranty or representation on the part of the Issuer in the Indenture or in the Bonds (other than an Event of Default set forth in paragraph (a) or (b) above) and the continuance of such default for a period of 30 days after the Trustee received such notice; the Trustee shall promptly notify the Issuer, the Borrower and the Loan Servicer of receipt of the Credit Provider's written notice; or

(d) an Act of Bankruptcy.

***Non-Default and Prohibition of Mandatory Redemption Upon Event of Taxability.*** The occurrence of any event (a "Tax Event") which results in the interest payable on the Bonds being includable for federal income tax purposes, in the gross income of the Bondholders, including, but not limited to, any violation of any provision of the Regulatory Agreement or any of the other Bond Documents, shall not (a) constitute an Event of Default under the Indenture, the Bonds or any of the other Bond Documents, or permit any party (other than Fannie Mae) to accelerate, or to direct acceleration of, the Mortgage Loan or the Bonds or give rise to a mandatory redemption of the Bonds, unless the Credit Provider, in its sole and absolute discretion, provides written notice to the Trustee that such Tax Event constitutes a default under the Reimbursement Agreement or the Security Instrument, or (b) give rise to the payment to the Bondholders of any amount, denoted as "supplemental interest," "additional interest," "penalty interest," "damages," "liquidated damages" or otherwise, in addition to the amounts payable to the owners of the Bonds prior to the occurrence of the Tax Event. Nothing contained in the Indenture shall be deemed to amend or modify the terms of the Mortgage Loan Documents. Promptly upon determining that a Tax Event has occurred, the Issuer or the Trustee shall, by notice in writing to the Credit Provider, the Construction Phase Credit Facility Provider (if the Tax Event occurs at such time as the Construction Phase Credit Facility is in effect), the Loan Servicer and the Registered Owners of the Bonds, inform the Credit Provider, the Construction Phase Credit Facility Provider (if the Tax Event occurs at such time as the Construction Phase Credit Facility is in effect), the Loan Servicer and the Registered Owners of the Bonds that a Tax Event has occurred and whether the Tax Event has been cured, is curable within a reasonable period, or is incurable. Notwithstanding the availability of the remedy of specific performance to cure a Tax Event that is curable within a reasonable period, neither the Issuer nor the Trustee shall have, and each of them acknowledges that, except at the direction of the Credit Provider, they shall not have, upon the occurrence of a Tax Event, any right, authority or obligation to cause or direct acceleration of the Bonds or the Mortgage Loan, to enforce the Mortgage Note or to foreclose the Security Instrument, to accept a deed to the Mortgaged Property in lieu of foreclosure, or to effect any other comparable conversion of the Mortgage Loan.

***Acceleration.*** Upon:

(a) the occurrence of an Event of Default described as clauses (c) or (d) in the previous section "Default Provisions and Remedies-Events of Default," the Trustee may, and shall upon the written request of Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding, by written notice to the Issuer, the Borrower, Fannie Mae, the Loan Servicer and the Construction Phase Credit Facility Provider (so long as the Construction Phase Credit Facility is in effect) declare the principal of all Bonds then Outstanding (if not then due and payable) and the interest accrued, and to accrue, on the Outstanding Bonds to the date of such declaration immediately due and payable; or

(b) the occurrence of an Event of Default described as clauses (c), (d) or (e) in the previous section "Default Provisions and Remedies-Events of Default," the Trustee may, upon receiving the prior written consent of the Credit Provider, and shall, upon the written direction of the Credit Provider, by written notice to the Issuer, the Borrower, the Credit Provider, the Construction Phase Credit Facility Provider (so long as the Construction Phase Credit Facility is in effect) and the Loan Servicer, declare the principal of all Bonds then Outstanding (if not then due and payable) and the interest accrued, and to accrue, on the Outstanding Bonds to the date of such declaration immediately due and payable.

Upon any such declaration of acceleration, the Trustee shall (a) give immediate notice to the Credit Provider and request an advance under the Credit Facility pursuant to the Indenture, (b) exercise such rights as it may have under the Mortgage Note to declare all payments under the Mortgage Note to be immediately due and payable and (c) give such notice as is required by the Indenture.

*Notice.* Upon any decision to accelerate payment of the Bonds, the Trustee shall notify the Bondholders of the declaration of acceleration, that interest on the Bonds will cease to accrue upon such declaration, and that payment of such Bonds will be made upon presentment of the Bonds at the Principal Office of the Trustee. Upon such declaration the Trustee shall immediately draw upon the Credit Facility. Such notice shall be sent by registered mail, overnight delivery service or other secure means, postage or charges prepaid, or, at the Trustee's option, may be given by Electronic Means to each Registered Owner of Bonds at such Registered Owner's last address appearing in the Bond Register. Any defect in or failure to give notice of such declaration shall not affect the validity of such declaration.

*Waiver.* To the extent not precluded by law, the Trustee, upon notice to and with the prior written consent of the Credit Provider (unless a Wrongful Dishonor has occurred and is continuing) and, so long as the Construction Phase Credit Facility is in effect, the Construction Phase Credit Facility Provider, may waive any Event of Default under the Indenture and its consequences and, if the Trustee has accelerated payment of the Bonds, rescind the declaration of acceleration (unless precluded by the Indenture or unless clause (b) following shall be applicable) and will do so upon the written request of (a) the Credit Provider or (b) Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding, provided, however, that there will be no such waiver or rescission unless the principal and interest on the Bonds in arrears (without regard to the acceleration), together with interest at the applicable rate or rates of interest borne by the Bonds on such overdue principal and, to the extent permitted by law, on such overdue interest, has been paid or provided for by the Borrower or by the Credit Provider and all fees and expenses of the Trustee have been paid or provided for by the Borrower or the Credit Provider. In the case of any such waiver, the Issuer, the Borrower, the Trustee and the Bondholders will be restored to their former positions and rights under the Indenture. The Trustee may not waive any Event of Default under the Indenture unless, after the waiver, the Credit Facility will remain in effect in an amount equal to the aggregate principal amount of the Bonds outstanding plus the interest requirement, provided, however, that such waiver will be permitted if (a) the Issuer consents to the waiver, (b) the Rating Agency then rating the Bonds is notified and the Trustee gives written notice to the Bondholders that the ratings on the Bonds may be reduced or withdrawn upon the occurrence of such waiver, and (c) 100% of the Bondholders consent to the waiver.

*Other Remedies.* Subject to the Indenture, upon the occurrence and continuance of an Event of Default, the Trustee may, with or without taking action under the Indenture, but only with the prior written consent of Fannie Mae and shall, at the direction of the Credit Provider or, if the Event of Default described in clause (c) or (d) under "Default Provisions and Remedies--Events of Default," occurs pursue any of the following remedies:

(a) an action in mandamus or other suit, action or proceeding at law or in equity (i) to enforce the payment of the principal of, premium, if any, or interest on the Bonds then Outstanding, (ii) for the specific performance of any covenant or agreement contained in the Indenture or in the Financing Agreement or the Regulatory Agreement or (iii) to require the Issuer to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(b) the liquidation of the Trust Estate pledged under the Indenture (subject to the provisions of the Indenture); or

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

Subject to the provisions of the Indenture and the requirement, if any, that the Credit Provider consent in writing to the exercise by the Trustee of any such available remedy, upon the occurrence and continuance of an Event of Default, the Trustee shall exercise such of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, shall deem most effective to enforce and protect the interests of the Bondholders and the Credit Provider.

*Remedies Not Exclusive.* Subject to certain provisions of the Indenture, no right or remedy conferred upon or reserved to the Trustee (or to the Bondholders) by the terms of the Indenture is intended to be exclusive of any

other right or remedy, but each and every such right and remedy shall be cumulative and shall be in addition to any other right or remedy given to the Trustee or to the Bondholders under the Indenture or under the Financing Agreement, the Regulatory Agreement or the Credit Facility or now or hereafter existing at law or in equity.

***Rights of the Credit Provider and the Bondholders To Direct Proceedings; Rights and Limitations Applicable to Bondholders, Issuer and Trustee.***

***Rights To Direct Proceedings.*** Notwithstanding anything contained in the Indenture to the contrary, the Credit Provider itself or Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding, but only with the prior written consent of the Credit Provider, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct 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 under the Indenture, provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture, and provided that the Trustee shall be indemnified to its satisfaction (except for actions required by the Trustee as set forth in "*Remedies; Rights of Bondholders - Acceleration*" above).

***Limitations on Bondholders' Rights.*** No Bondholder shall have the right to enforce the provisions of the Indenture, the Financing Agreement or any Mortgage Loan Document, or to institute any proceeding in equity or at law for the enforcement of the Indenture, the Financing Agreement or any Mortgage Loan Document, or to take any action with respect to an Event of Default under, and as respectively defined in, the Indenture, the Financing Agreement or any Mortgage Loan Document, or to institute, appear in or defend any suit or other proceeding with respect to the Indenture, the Financing Agreement or any Mortgage Loan Document, upon any such Event of Default unless (a) such Bondholder has given the Trustee, the Issuer, the Credit Provider, the Construction Phase Credit Facility Provider (so long as the Construction Phase Credit Facility is in effect), the Loan Servicer and the Borrower written notice of the Event of Default, (b) the holders of not less than 51% in aggregate principal amount of Bonds then Outstanding shall have requested the Trustee in writing to institute such proceeding, (c) the Trustee shall have been afforded a reasonable opportunity to exercise its powers or to institute such proceeding, (d) the Trustee has been offered reasonable indemnity, where required under the Indenture, and (e) the Trustee has thereafter failed or refused to exercise such powers or to institute such proceeding within a reasonable period of time. No Bondholder shall have any right in any manner whatever by his or her action to affect, disturb or prejudice the pledge of revenues or of any other moneys, funds or securities under the Indenture. No Bondholder shall have the right, directly or indirectly, individually or as a group, to seek to enforce, collect amounts available under, or otherwise realize on, the Credit Facility.

***Non-Interference and Non-Impairment of Mortgage Loan.*** Notwithstanding anything contained in the Indenture to the contrary, so long as the Credit Facility remains in effect and a Wrongful Dishonor has not occurred or, if it has occurred is not continuing, neither the Issuer, the Trustee nor any person under their control nor the Bondholders shall, without the prior written consent of the Credit Provider and, so long as the Construction Phase Credit Facility is in effect, the Construction Phase Credit Facility Provider, exercise, directly or indirectly, any remedy or direct any proceeding under the Bond Documents or with respect to the Mortgage Loan or, directly or indirectly:

(a) initiate or take any action which may have the effect, directly or indirectly, of (a) impairing the ability of the Borrower to timely pay the principal of, interest on, or other amounts due and payable under, the Mortgage Loan Documents or (b) impairing or defeating the validity or priority of the lien created by the Security Instrument;

(b) interfere with or attempt to influence the exercise by the Credit Provider of its rights under the Mortgage Loan Documents, including, but not limited to, the Credit Provider's remedial rights under the Mortgage Loan upon the occurrence of an Event of Default by the Borrower under the Security Instrument; or

(c) upon the occurrence of an Event of Default under the Security Instrument, take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Mortgage Loan.

provided that, subject to the provisions of the foregoing paragraphs (a) through (c), the Indenture shall not prohibit the Issuer's right to enforce its Reserved Rights, and provided, further, that the Issuer or the Trustee, as the case may be, may (a) enforce rights under the Credit Facility (so long as the Credit Facility is in effect), (b) enforce the tax covenants set forth in the Indenture and the Financing Agreement and (c) enforce rights of specific performance under the Financing Agreement and the Regulatory Agreement, except that neither the Issuer nor the Trustee shall seek damages or any monetary recovery under the Financing Agreement or the Regulatory Agreement.

*Application of Moneys.* Amounts derived from payments under the Credit Facility shall be deposited into the Credit Facility Account and applied solely to pay the principal of and interest on the Bonds and shall not be applied to pay any fees or expenses or advances of the Trustee or the Issuer (except to the extent such fees are payable out of the Fees Account from transfers to the Fees Account from the General Account), including amounts in respect of indemnification. All other moneys received by the Trustee pursuant to any action taken under this section and all moneys on deposit in the Funds and Accounts under the Indenture (other than the Rebate Fund, the Costs of Issuance Fund and the Fees Account) shall, subject to the Indenture, be deposited into the General Account after payment of the ordinary costs and expenses of the Trustee. The balance of such moneys, less such amounts as the Trustee determines may be needed for possible use in paying future fees and expenses and for the preservation and management of the Development (as identified and required by Fannie Mae), shall be applied as set forth in the following subsections:

(a) unless the principal on all Bonds shall have become or been declared due and payable, all such moneys shall be applied:

First - to the payment of rebate amounts, if any, payable to the United States pursuant to the Indenture;

Second - to the payment of all interest then due on the Bonds, in the order of the maturity of such interest and, if the amount available shall not be sufficient to pay in full said amount, then to the payment ratably of the amounts due, without any discrimination or privilege;

Third - to the payment of the unpaid principal of any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates upon which they became due, with interest on such Bonds from the respective dates upon which they became due at the rate or rates borne by the Bonds, to the extent permitted by law, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled to such payment without any discrimination or privilege; and

Fourth - to the payment of amounts owed to the Credit Provider under the Credit Facility, the Financing Agreement and the Mortgage Loan Documents, as specified to the Trustee in writing by the Credit Provider and then to any unpaid amounts due to the Trustee for Extraordinary Items, for this purpose including the costs and expenses of any proceedings resulting in the collection of such moneys and of advances incurred or made by the Trustee;

(b) If the principal of all the Bonds has become or been declared due and payable, all such moneys shall be applied first, to the payment of amounts, if any, payable to the United States pursuant to the Indenture; second, to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably according to the amounts due respectively for principal and interest to the persons entitled to payment, until all such principal and interest has been paid; third, to pay the Credit Provider amounts owed to it under the Credit Facility Agreement, the Financing Agreement and the Mortgage Loan Documents, as specified to the Trustee in writing by the Credit Provider; and fourth, to the Borrower (but only if all amounts due the Trustee, the Issuer and the Construction Phase Credit Facility Provider have been paid, otherwise to first pay such amounts in the priority set forth in the Indenture).

(c) If the principal of all the Bonds has been declared due and payable, and if such declaration is thereafter rescinded under the Indenture, then, in the event that the principal of all the Bonds shall later become or be declared due and payable, the moneys shall be applied as described in (b) above.

## **The Trustee**

**Resignation of Trustee.** The Trustee (or any successor Trustee) may resign only upon giving 60 days' prior written notice to the Issuer, the Credit Provider, the Loan Servicer, the Borrower, the Construction Phase Credit Facility Provider (if such resignation is on or before the Conversion Date) and to each Registered Owner of Bonds then outstanding as shown on the Bond Register. Notwithstanding such notice, such resignation shall not take effect until the appointment of a successor Trustee in accordance with the Indenture and the acceptance of such appointment by such successor Trustee.

**Removal of Trustee.** The Trustee may be removed at any time, upon 30 days' prior written notice to the Trustee, (a) by the Issuer following prior written consent of the Credit Provider, (b) by an instrument or concurrent instruments in writing delivered to the Issuer, the Credit Provider, the Loan Servicer, the Trustee and the Borrower, signed by the owners of not less than 51% in aggregate principal amount of Bonds then Outstanding, and approved by the Credit Provider, which written instrument shall designate a successor trustee, (c) by the Credit Provider or (d) by the Borrower, with the prior written consent of the Credit Provider. Such removal shall take effect only upon the appointment of a successor Trustee in accordance with the Indenture and the acceptance of such appointment by such successor Trustee.

**Appointment of Successor Trustee.** Upon the resignation or removal of the Trustee, a successor Trustee shall be appointed by the Borrower, with the prior written consent of the Issuer and the Credit Provider, provided that if the Borrower is then in default under any Bond Document or any Mortgage Loan Document or if an event has occurred and is continuing which, with notice or the passage of time or both, would constitute such a default, such appointment shall be made by the Issuer with written consent of the Credit Provider. If, in the case of resignation or removal of the Trustee, no successor is appointed within 30 days after the notice of resignation or within 30 days after removal, as the case may be, then, in the case of a resignation, the resigning Trustee shall appoint a successor with the prior written consent of the Issuer and the Credit Provider or apply to a court of competent jurisdiction for the appointment of a successor Trustee and, in the case of a removal, the Credit Provider shall have the right to appoint a successor Trustee or to apply to a court of competent jurisdiction for the appointment of a successor Trustee.

**Servicing the Mortgage Loan.** The Issuer and the Trustee acknowledge that on and after the Conversion Date, the Loan Servicer, as servicer of the Mortgage Loan, will be responsible to the Credit Provider for the ongoing servicing and administering of the Mortgage Loan, but that the Credit Provider, in its discretion, may contract with another servicer designated by the Credit Provider to perform such functions for the Credit Provider. Any servicing contracts or arrangements by the Credit Provider with such loan servicer for servicing the Mortgage Loan shall constitute a contractual obligation only between the Credit Provider and such loan servicer and neither the Trustee nor the Issuer will be deemed to be a party to such arrangements nor have any claim, right, duty, obligation or liability with respect to the servicing of the Mortgage Loan.

## **Supplemental Indentures; Amendments to Financing Agreement**

**Supplemental Indentures Not Requiring Bondholder Consent.** The Issuer and the Trustee, without the consent of or notice to any of the Bondholders, may enter into an indenture or indentures supplemental to the Indenture for one or more of the following purposes:

(a) to cure any ambiguity or to correct or supplement any provision contained in the Indenture or in any supplemental indenture which may be defective or inconsistent with any other provision contained in the Indenture or in any supplemental indenture;

(b) to amend, modify or supplement the Indenture in any respect if, in the judgment of the Trustee, such amendment, modification or supplement is not materially adverse to the interests of the Bondholders;

(c) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to grant or pledge to the Trustee for the benefit of the Bondholders any additional security other than that granted or pledged under the Indenture;

(d) to modify, amend or supplement the Indenture or any supplemental indenture in such manner as to permit the qualification of the Indenture or such supplemental indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute then in effect, or to permit the qualification of the Bonds for sale under the securities laws of any of the States of the United States;

(e) to appoint a successor trustee, separate trustee or co-trustee, or a separate Bond Registrar, in the manner provided in the Indenture;

(f) to make any change requested by the Credit Provider which, in the judgment of the Trustee, is not materially adverse to the interests of the Bondholders, including, but not limited to, provision of a Credit Facility other than or in substitution for the Credit Facility then in effect, provided that the provision of such other Credit Facility does not adversely affect the rating then in effect for the Bonds;

(g) to make any change in the Indenture or in the terms of the Bonds necessary or desirable in order to maintain the rating of "AAA" and/or "Aaa" awarded to the Bonds by the Rating Agency or to otherwise comply with the requirements of any Rating Agency then rating the Bonds;

(h) to comply with the Code and the regulations and rulings issued with respect to the Code, to the extent determined as necessary or desirable in the Opinion of Bond Counsel;

(i) to implement any secondary market disclosure, required under applicable law with respect to the Bonds, the Issuer, the Borrower or the Mortgaged Property;

(j) to modify the terms of the Indenture or the Bonds to be effective as of a Remarketing Date if a supplemental indenture is executed and delivered at least 30 days prior to such Remarketing Date and notice of the execution and delivery together with a copy of the supplemental indenture or a summary of the provisions of the supplemental indenture is given to all Bondholders and to the Rating Agency not later than the time notice of remarketing of Bonds is given to Bondholders pursuant to the Indenture;

(k) to change any of the time periods for provision of notice relating to: (i) the remarketing of Bonds and (ii) the determination of the interest rate on the Bonds;

(l) to change or modify any provision of the Indenture in connection with the remarketing of Bonds following any mandatory tender of the Bonds pursuant to the Indenture, but only upon the condition that such change is effective only after mandatory purchase; or

(m) in connection with any other change in the Indenture which, in the judgment of the Trustee, is not materially adverse to the interests of the Bondholders.

If the Trustee has received written confirmation from the Rating Agency to the effect that such supplemental indenture will not result in the suspension, withdrawal or reduction of then current rating on the Bonds and all conditions precedent above and in the Indenture have been satisfied, the Trustee shall join the Issuer in the execution of any such supplemental indenture. The Trustee shall promptly furnish a copy of any such supplemental indenture to the Credit Provider, the Remarketing Agent, the Loan Servicer, the Construction Phase Credit Facility Provider (so long as the Construction Phase Credit Facility is in effect) and the Borrower.

**Supplemental Indentures Requiring Bondholder Consent.** Exclusive of supplemental indentures described above under "Supplemental Indentures Not Requiring Bondholder Consent" and subject to the terms and provisions described in this Section, the Issuer, in its sole discretion, and the Trustee may, with the consent of Bondholders owning 51% or more in aggregate principal amount of Bonds then Outstanding, from time to time, execute indentures supplemental to the Indenture for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture, provided that nothing in this Section shall permit, or be construed as permitting:

- (a) an extension of the maturity of the principal of or interest on, or the mandatory redemption date of, any Bond, without the consent of the owners of all of the Bonds then Outstanding;
- (b) a reduction in the principal amount of, or the rate of interest on, any Bond, without the consent of the owner of such Bond;
- (c) a preference or priority of any Bond or Bonds over any other Bond or Bonds, without the consent of the owners of all such Bonds;
- (d) the creation of a lien prior to or on parity with the lien of the Indenture, without the consent of the owners of all of the Bonds then Outstanding;
- (e) a change in the percentage of Bondholders necessary to waive an Event of Default or otherwise approve matters requiring Bondholder approval under the Indenture, including consent to any supplemental indenture, without the consent of the owners of all the Bonds then Outstanding;
- (f) a transfer, assignment or release of the Credit Facility (or modification of the provisions of the Indenture governing such transfer, assignment or release), other than as permitted by the Indenture, the Assignment or the Credit Facility;
- (g) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture, without the consent of the holders of all of the Bonds then Outstanding;
- (h) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding under the Indenture, without the consent of the holders of all of the Bonds then Outstanding; or
- (i) the amendment of this Section, without the consent of the holders of all of the Bonds then Outstanding.

The giving of notice to and consent of the Bondholders to any such supplemental indenture shall be obtained as provided in the Indenture. When requested by the Issuer or the Borrower, and if all conditions precedent under the Indenture have been satisfied, the Trustee shall join the Issuer in the execution of any such supplemental indenture. The Trustee shall promptly furnish a copy of any such supplemental indenture to the Credit Provider, the Remarketing Agent, the Loan Servicer and, so long as the Construction Phase Credit Facility is in effect, the Construction Phase Credit Facility Provider and the Borrower.

**Amendments to Financing Agreement Not Requiring Bondholder Consent.** The Issuer and the Trustee, without the consent of or notice to any of the Bondholders, (a) may enter into or permit any amendment of the Financing Agreement and (b) shall, at the direction of the Credit Provider, enter into any amendment of the Financing Agreement, for one or more of the following purposes:

- (a) to cure any ambiguity or to correct or supplement any provision contained in the Financing Agreement which may be defective or inconsistent with any other provision of the Financing Agreement;



(b) to make such other provisions with regard to matters or questions arising under the Financing Agreement which are not materially adverse to the interests of the Bondholders;

(c) to amend, modify or supplement the Financing Agreement in any respect if, in the judgment of the Trustee, such amendment, modification or supplement is not materially adverse to the interests of the Bondholders;

(d) to grant to or confer upon the Issuer or the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be so granted or conferred, or to grant or pledge to the Issuer or the Trustee for the benefit of the Bondholders any additional security;

(e) to make any change requested by the Credit Provider which, in the judgment of the Trustee, is not materially adverse to the interests of the Bondholders;

(f) to comply with the requirements of any Rating Agency then rating the Bonds;

(g) to comply with regulations or rulings issued with respect to the Code, to the extent determined as necessary or desirable in the opinion of Bond Counsel;

(h) to permit the Borrower to enter into a modification of any Mortgage Loan Document on terms approved by the Credit Provider, provided that there has first been delivered to the Trustee (i) written evidence of such approval and the approval by the Credit Provider of the proposed form of amendment and any other documents relating to the amendment and (ii) written evidence from the Rating Agency that such modifications and any related changes to the terms of the financing will not adversely affect the rating then applicable to the Bonds; or

(i) in connection with any other change which, in the judgment of the Trustee, is not materially adverse to the interests of the Bondholders; provided that if the Trustee has received written confirmation from the Rating Agency to the effect that such amendment will not result in the suspension, withdrawal or reduction of the then current rating on the Bonds and all conditions precedent in the Indenture have been satisfied, the Trustee shall join the Issuer and the Borrower in the execution of any such amendment. The Trustee shall promptly furnish a copy of any such amendment to the Issuer, the Credit Provider, the Remarketing Agent, the Loan Servicer, and, so long as the Construction Phase Credit Facility is in effect, the Construction Phase Credit Facility Provider and the Borrower.

***Amendments to Financing Agreement Requiring Bondholder Consent.*** Except as described above under "Amendments to Financing Agreement Not Requiring Bondholder Consent," the Issuer and the Trustee shall not enter into any other modification or amendment of the Financing Agreement, nor shall any such modification or amendment become effective, without the written consent of the Credit Provider and the owners of not less than 51% in aggregate principal amount of Bonds then Outstanding, such consent to be obtained in accordance with the Indenture. No such amendment may, without the consent of the owners of all the Outstanding Bonds, reduce the amounts or delay the payments on the Mortgage Loan under the Financing Agreement, provided that any such amounts may be reduced without such consent solely to the extent that such reduction (a) results from a partial redemption from other than sinking fund installments or (b) represents a reduction in any fees payable from such amounts (including, but not limited to, a reduction in Set Rate Interest). The Trustee will provide a copy of any such amendment to the Issuer, the Credit Provider, the Remarketing Agent, the Loan Servicer and, so long as the Construction Phase Credit Facility is in effect, the Construction Phase Credit Facility Provider and the Borrower.

#### **Amendments, Changes and Modifications to the Credit Facility and the Regulatory Agreement**

***The Credit Facility.*** The Trustee may, without notice to or the consent of the owners of the Bonds, accept any amendment to the Credit Facility (a) in connection with any change in the Credit Facility, including a revised Mortgage Loan Payment Amortization Schedule to the Credit Facility as a result of a partial prepayment and re-amortization of the Mortgage Loan or otherwise or (b) as may be required for purposes of curing any ambiguity, formal defect or omission which is not materially adverse to the interests of the Bondholders or which does not

prejudice in any material respect the interests of the Bondholders. Except for such amendments, the Credit Facility may be amended only with the written consent of the owners of not less than 51% in aggregate principal amount of Bonds then Outstanding, except that, without the written consent of the owners of all Outstanding Bonds, no amendment may be made to the Credit Facility which would reduce the amounts required to be paid under the Credit Facility or change the time for payment of such amounts; provided that any such amounts may be reduced without such consent solely to the extent that such reduction represents a written agreement to reduce fees payable from such amounts.

*The Regulatory Agreement.* Subject to certain provisions of the Indenture requiring certain Opinions of Counsel and approvals of the Credit Provider and the Borrower, the Trustee and the Issuer may enter into any amendment or modification of the Regulatory Agreement without the consent of the owners of the Bonds, provided that the Borrower shall furnish to the Trustee and the Issuer (a) an Opinion of Bond Counsel to the effect that such amendment or modification of the Regulatory Agreement will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes and (b) the written consent of the Credit Provider.

*Notice to and Consent of Bondholders.* If consent of the Bondholders is required under the terms of the Indenture for any supplement, amendment or modification to the Indenture, the Financing Agreement, the Regulatory Agreement or the Credit Facility, or for any other similar purpose, the Trustee shall cause notice of the proposed execution of the supplement, amendment or modification to be given by first class mail to the Bondholders. Such notice shall briefly set forth the nature of the proposed supplement, amendment or modification, and shall state that copies of any such supplement, amendment or modification are on file at the Principal Office of the Trustee for inspection by the Bondholders.

*Required Approvals.* Notwithstanding any other provisions of the Indenture which may state or imply to the contrary, no amendment, supplement, change or modification may be made to any Bond Document, Mortgage Loan Document or any other document executed and delivered in connection with the Bonds without the prior written consent of the Credit Provider. Unless a Wrongful Dishonor has occurred and is continuing, the Credit Provider alone may consent to any amendment to the Mortgage Loan Documents and no consent of the Bondholders is required; provided, however, that any amendment or substitution of the Mortgage Note shall occur only following written confirmation of the Rating Agency that such amendment or substitution will not result in a reduction or withdrawal of the rating on the Bonds. Anything in the Indenture to the contrary notwithstanding, a supplement or amendment or other document described in the Indenture which affects any rights or obligations of the Borrower shall not become effective unless and until the Borrower (if the Borrower is not then in default under any Bond Document or any Mortgage Loan Document and if no event shall have occurred which, with notice or the passage of time or both, would constitute such a default shall have occurred and be continuing) has consented in writing to the execution of such supplemental indenture, amendment or other document. The Trustee shall not be required to enter into any supplement or amendment or other document described under the Indenture which is, in the judgment of the Trustee, to the prejudice of the Bondholders or the Trustee.

*Opinion of Bond Counsel.* No supplement or amendment with respect to the Indenture, the Financing Agreement, the Regulatory Agreement or the Credit Facility at the time in effect shall be effective until the Issuer and the Trustee shall have received an Opinion of Bond Counsel to the effect that such supplement or amendment will not adversely affect the exclusion from gross income, for federal income tax purposes, of the interest payable on the Bonds and that such supplement or amendment does not violate the Indenture or any of the other Bond Documents and is not materially adverse to the interests of the Bondholders.

## APPENDIX C

## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT

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

The Borrower will execute the Regulatory Agreement with respect to the Development. The Regulatory Agreement contains representations and covenants of the Borrower concerning the acquisition, construction, and equipping of the Development and the tax-exempt status of the Bonds that must be complied with continuously subsequent to the date of issuance of the Bonds in order that interest on the Bonds be excluded from gross income for federal income tax purposes.

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

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

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

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

(b) the Development consists of one building or structure or several proximate and interrelated buildings or structures, each of which will be a discrete edifice or other man-made construction consisting of an independent foundation, outer walls and a roof, and all of which (A) are located on a single tract of land or two or more parcels of land that are contiguous (i.e., their boundaries meet at one or more points) except for the interposition of a road, street, stream or similar property, (B) are owned by the same person for federal income tax purposes, and (C) were financed pursuant to a common plan;

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

(d) each Unit contains complete facilities for living, sleeping, eating, cooking and sanitation, e.g., a living area, a sleeping area, bathing and sanitation facilities, and cooking facilities equipped with a cooking range, refrigerator and sink, all of which will be separate and distinct from other units;

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

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

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

(h) the land and the facilities will be functionally related and subordinate to the Units and will be of a size and character that is commensurate with the size and number of such dwelling units.

**Further Covenants.** The Borrower has represented, covenanted and agreed, continuously during the Qualified Project Period, that:

(a) at least 40% of the Units (except for Units occupied or reserved for a resident manager or security or maintenance personnel that are functionally related and subordinate to the Development and are reasonably required for the Development) within the Development that are available for occupancy will be occupied or held vacant and available for occupancy at all times by Low-Income Tenants. For the purposes of this subparagraph (a), a vacant Unit that was most recently occupied by a Low-Income Tenant is treated as rented and occupied by a Low-Income Tenant until reoccupied, at which time the character of such Unit will be redetermined; and

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

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

The Issuer and the Borrower have recognized and declared their understanding and intent that the Development is to be owned, managed and operated as a "housing development," as such term is defined in Section 2306.004(13) of the Act, and in compliance with applicable restrictions and limitations as provided in the Act and the rules of the Issuer, until the expiration of the State Restrictive Period. To the same end, the Borrower has represented, covenanted and agreed, among other things, as follows during the State Restrictive Period:

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

(b) to obtain a tenant income certification from each tenant not later than the date of the tenant's initial occupancy at least annually after the tenant's initial occupancy and to prepare reports required by the Regulatory Agreement.

### **Persons With Special Needs**

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

### **Default; Remedies**

Upon a violation of any of the provisions of the Regulatory Agreement by the Borrower, the Trustee or the Issuer will give written notice thereof to the Borrower.

If a violation of the Regulatory Agreement is not corrected by the Borrower to the satisfaction of the Trustee and the Issuer within the time and otherwise as provided in the Regulatory Agreement, without further notice the Issuer or the Trustee may declare a default under the Regulatory Agreement effective on the date of such declaration of default and upon such default the Issuer or the Trustee may bring action for specific performance to enforce the obligations of the Borrower under the Regulatory Agreement or by mandamus or other suit, action or proceeding at law or in equity, require the Borrower to perform its obligations and covenants under the Regulatory Agreement or enjoin any acts or things which may be lawful or in violation of the rights of the Issuer or Trustee thereunder or otherwise seek injunctive relief.

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

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

### **Term**

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

The other terms of the Regulatory Agreement to the contrary notwithstanding, the requirements set forth therein will terminate, without the requirement of any consent by the Issuer or the Trustee, and be of no further force and effect in the event of involuntary noncompliance with the provisions of the Regulatory Agreement caused by fire, seizure, requisition, change in a federal or Texas law or an action of a federal agency after the Closing Date which prevents the Issuer or the Trustee from enforcing the provisions hereof, or foreclosure or transfer of title by deed in lieu of foreclosure or other similar involuntary transfer, condemnation or a similar event, but only if, within a reasonable period thereafter, either the Bonds are retired in full or amounts received as a consequence of such event are used to provide a qualified residential rental project which meets the requirements of the Code and Texas

law set forth in the Regulatory Agreement. The provisions of the preceding sentence will cease to apply and the requirements referred to therein will be reinstated if, at any time during the Qualified Project Period, after the termination of such requirements as a result of involuntary noncompliance due to foreclosure, transfer of title by deed in lieu of foreclosure or similar event, the Borrower or any Related Person obtains an ownership interest in the Development for federal income tax purposes and for purposes of Texas law.

## APPENDIX D



## APPENDIX D

### SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT

The following is a brief summary of the Financing Agreement by and between the Issuer and the Borrower. The summary does not purport to be a complete or definitive and reference is made to the full text of the Financing Agreement for a complete recital of its terms, a copy of which is on file with the Issuer and the Trustee.

#### The Mortgage Loan

*Terms.* The Mortgage Loan shall (a) be evidenced by the Mortgage Note, (b) be in a principal amount approved by Fannie Mae, not to exceed \$9,800,000, (c) bear interest at the Mortgage Note Rate, (d) be payable on the terms provided in the Mortgage Note, (e) be secured by, among other instruments, the Security Instrument and as otherwise provided in the other Mortgage Loan Documents and/or the Financing Agreement and (f) be subject to optional and mandatory prepayment at the times, in the manner and on the terms, and have such other terms and provisions as are, set forth in the Mortgage Loan Documents. The Mortgage Note Rate shall be comprised of:

- (i) a pass-through rate of interest (the "Pass-Through Rate"), which shall be a rate sufficient to pay when due the interest on the Bonds and the Third Party Fees (to the extent included in the Mortgage Note Rate); and
- (ii) Set Rate Interest, which (A) prior to the Conversion Date, shall be equivalent to the Facility Fee payable to the Credit Provider and (B) on and after the Conversion Date, shall be equivalent to the sum of (1) the Facility Fee payable to the Credit Provider and (2) the Servicing Fee.

*Mortgage Loan Payments.* All regularly scheduled payments due under the Mortgage Note shall be timely paid by the Borrower, when due, in immediately available funds. All payments of interest, principal and other amounts payable by the Borrower under the Mortgage Note shall be paid (a) on and before the Conversion Date (and in respect of payments due on and before the Conversion Date), to the Trustee, and (b) after the Conversion Date, to the Loan Servicer (or other entity then servicing the Mortgage Loan for Fannie Mae). Payments received by the Loan Servicer after the Conversion Date are to be remitted (net of Set Rate Interest) to the Trustee. The Borrower agrees to hold the Issuer, the Trustee, the Loan Servicer and Fannie Mae harmless from any liability on account of any failure of the Borrower to make such payments. After the Conversion Date, the Borrower shall not make any payments of principal, interest or other amounts payable under the Mortgage Loan to the Trustee (other than in respect of payments due on or before the Conversion Date).

#### Prepayment

*Optional Prepayment.* The Borrower shall have the right to prepay the Mortgage Loan in whole, but not in part (except for a Pre-Conversion Loan Equalization Payment or equivalent payment or similar payment as provided in the Financing Agreement), on the terms provided in, and subject to the limitations of, the Mortgage Note and, to the extent applicable, the Security Instrument and the Reimbursement Agreement, provided that the Borrower shall comply with the provisions of the Financing Agreement. The Borrower agrees that the payment of all amounts set forth in the Financing Agreement shall be a condition precedent to the effectiveness of any prepayment of the Mortgage Loan.

*Involuntary Prepayment.* The Mortgage Loan shall be subject to involuntary prepayment in whole or in part on the terms provided in the Mortgage Note.

#### Covenants of the Borrower

The Borrower, in addition to agreeing to make payments with respect to the Mortgage Loan and pay the fees, costs and expenses of various third parties, makes a wide range of business covenants and representations in the Financing Agreement with respect to itself and the Mortgaged Property, including covenants and representations dealing with payment of taxes and insurance, maintenance of the Mortgaged Property, compliance with applicable

laws, maintenance of legal existence, disposition of the Mortgaged Property and indemnification. The covenants contained in the Financing Agreement are in addition to and are not intended to modify or limit any provisions of the Mortgage Loan Documents.

### **Non-recourse Liability**

Except as otherwise provided in the Mortgage Loan Documents, in any action or proceeding brought with respect to the Mortgage Loan or the Bonds, no deficiency or other money judgment shall be enforced against the Borrower or any partner of the Borrower or any successor or assign of the Borrower, and any judgment obtained shall be enforced only against the Mortgaged Property and other property of the Borrower encumbered by the Mortgage Loan Documents and not against the Borrower or any partner of the Borrower or any successor or assign of the Borrower. Notwithstanding the foregoing, anything to the contrary contained in the Financing Agreement, the obligations of the Borrower to the Issuer, the Trustee or any other party (a) with regard to the payment of third party fees and expenses and indemnification and (b) to pay any and all rebate amounts that may be or become owing with respect to the Bonds, shall be recourse to the Borrower, but except with respect to obligations owing to the Credit Provider, not to the Mortgaged Property or any other property encumbered by the Mortgage Loan Documents.

### **Events of Default and Remedies**

*Events of Default.* Each of the following shall constitute an event of default under the Financing Agreement, and the term "Event of Default" shall mean, whenever used in the Financing Agreement, any one or more of the following events:

(a) the failure by the Borrower to pay any amounts due under the Financing Agreement at the times and in the amounts required by the Financing Agreement;

(b) the failure by the Borrower to observe or perform any covenants, agreements or obligations in the Financing Agreement on its part to be observed or performed (other than as provided in paragraph (a) above) for a period of 30 days after receipt of written notice from the Trustee specifying such failure and requesting that it be remedied; provided, however, that if the failure is such that it cannot be corrected within such period, it shall not constitute an Event of Default if the failure is correctable without material adverse effect on the validity or enforceability of the Bonds or on the exclusion from gross income, for federal income tax purposes, of the interest on the Bonds, and if corrective action is instituted by the Borrower within such period and diligently pursued until the failure is corrected, and provided further that any such failure shall have been cured within 90 days of receipt of notice of such failure;

(c) any breach of any of the covenants, agreements or obligations of the Borrower under, or the occurrence of a default under, the Regulatory Agreement, including any exhibits to the Regulatory Agreement;

(d) the determination by the Issuer, the Trustee, the Loan Servicer or the Credit Provider that any representation or warranty made by the Borrower in the Financing Agreement or in any document delivered by or on behalf of the Borrower to the Trustee, the Loan Servicer, the Credit Provider or the Issuer in connection with the Mortgaged Property, the Mortgage Loan or the Bonds was untrue or misleading in any material respect as of the date made or deemed made;

(e) the occurrence of an Event of Default under and as defined in the Indenture or under and as defined in any other Bond Document caused by the Borrower's failure to comply with the terms or conditions of any such Bond Document;

(f) the occurrence of any of the following: the Borrower shall generally not pay its debts as they become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors or shall institute any proceeding or voluntary case seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy,

insolvency or reorganization or relief or protection of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property; or the Borrower shall take any action to authorize any of the actions described above in this paragraph (f), or any proceeding shall be instituted against the Borrower seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property, and, if such proceeding is being contested by the Borrower in good faith, such proceeding shall remain undismitted or unstayed for a period of 60 days;

(g) the filing or making of any claim against the Trust Estate as a result of any action or proceeding described in paragraph (f) above by, or with respect to, the Issuer; or

(h) an Event of Default as a result of a determination by the Credit Provider pursuant to the Financing Agreement.

**Cross Default.** The occurrence of a default under the Mortgage Loan Documents shall not constitute an Event of Default under the Financing Agreement unless the default is declared by the Credit Provider, in its sole and absolute discretion, to be an Event of Default under the Financing Agreement, such declaration to be made by written notice to the Trustee. The occurrence of an Event of Default under the Financing Agreement shall not constitute a default under any Mortgage Loan Document unless the Event of Default is declared by the Credit Provider, in its sole and absolute discretion, to be a default under the Mortgage Loan, such declaration to be made by written notice to the Trustee.

#### **Remedies Upon an Event of Default.**

**General.** Whenever any Event of Default shall have occurred and be continuing under the Financing Agreement, the Trustee may take any one or more of the following remedial steps:

(a) give immediate notice to the Issuer, the Loan Servicer, the Credit Provider, the Construction Phase Credit Facility Provider (so long as the Construction Phase Credit Facility is in place) and, if the Event of Default is the failure to receive a Required Mortgage Payment (as defined in the Credit Facility), the Trustee shall present notice to the Credit Provider a certificate for an Advance under the Credit Facility; or

(b) if the principal and interest accrued on the Bonds shall have been declared immediately due and payable pursuant to the Indenture, the Trustee shall give notice to the Issuer, the Loan Servicer, the Credit Provider, the Construction Phase Credit Facility Provider (so long as the Construction Phase Credit Facility is in place) and present an appropriate certificate for an Advance under the Credit Facility; provided, however, that if the Trustee shall rescind or annul a declaration of acceleration of Bonds pursuant to the Indenture, the Issuer, the Trustee, the Loan Servicer, and the Credit Provider shall be restored to their former rights and positions, and all rights, duties and obligations of the parties shall continue as if no adverse proceeding had been taken, subject to the limits of any adverse determination;

(c) take such action as is permitted by the Mortgage Loan Documents but only with the prior written consent of Fannie Mae;

(d) to the extent of any insufficiency in the payment of the Bonds after the Trustee shall have received an Advance under the Credit Facility, the Trustee may, by any suit, action or proceeding, pursue all remedies now or hereafter existing at law or in equity to collect all amounts then due and thereafter to become due under the Financing Agreement, to enforce the performance of any covenant, obligation or agreement of the Borrower under the Financing Agreement (subject to the non-recourse provisions of the Financing Agreement and the Regulatory Agreement) or to enjoin acts or things which may be unlawful or in violation of the rights of the Issuer or the Trustee;

(e) at the written direction or with the prior written consent of the Credit Provider, apply in any court of competent jurisdiction for specific performance by the Borrower of its covenants, obligations and agreement under the Financing Agreement or for injunctive relief to prevent any violation of the covenants, obligations or agreements on the part of the Borrower to be observed or performed under the Financing Agreement (the Borrower acknowledges and agrees that money damages alone would not be an adequate remedy at law for a default by the Borrower arising from a failure to comply with the Financing Agreement; therefore, the Borrower agrees that the remedy of specific performance or injunctive relief shall be available to the Trustee in any such case); or

(f) at the written direction or with the prior written consent of the Credit Provider, take whatever other action at law or in equity may appear necessary or desirable to enforce any obligation of the Borrower under the Financing Agreement.

In addition, upon the occurrence of an Event of Default, the Issuer, the Trustee, the Loan Servicer, the Credit Provider and the Construction Phase Credit Facility Provider (so long as the Construction Phase Credit Facility is in effect) shall have access to and may inspect, examine, audit and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the Borrower.

***Permitted Cures by the Borrower of an Event of Default.*** The Trustee may, with the prior written consent of the Credit Provider, and shall, at the written direction of the Credit Provider, permit the Borrower, for a period specified by Fannie Mae, to cure any default under the Mortgage Note and the Security Instrument, but only if (a) the Borrower pays to the Trustee or the Loan Servicer, as the case may be, for proper remittance, all overdue payments of principal and interest on the Mortgage Note, (b) the Borrower cures any nonmonetary defaults under the Mortgage Note, the Security Instrument and the other Mortgage Loan Documents to the satisfaction of the Credit Provider, and (c) the Borrower pays all fees, costs and expenses of the Trustee, the Issuer, the Loan Servicer and the Credit Provider, including, without limitation, Extraordinary Items due to the Trustee and all legal fees and expenses, incurred in connection with the default. The Borrower acknowledges that any cure of any default will not affect any subsequent default under the Mortgage Loan Documents.

***Waiver and Annulment.*** If, after any Event of Default, (a) all amounts which would then be payable under the Financing Agreement by the Borrower if such Event of Default had not occurred and was not continuing shall have been paid by or on behalf of the Borrower, and (b) the Borrower shall have also performed all other obligations in respect of which it is then in default under the Financing Agreement and shall have paid the reasonable fees and expenses of the Issuer, the Trustee, the Credit Provider and the Loan Servicer, including reasonable attorney fees and expenses paid or incurred in connection with such default, then, and in every such case, such Event of Default shall be waived and annulled by the Trustee, but only if so directed by the Credit Provider, in its sole and absolute discretion; no such waiver or annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent on such Event of Default.

***Limitations on Actions.*** Notwithstanding any other provision of the Financing Agreement or the Regulatory Agreement to the contrary:

(a) neither the Issuer, the Trustee nor any person under the control of either shall, without the prior written consent of the Credit Provider and, so long as the Construction Phase Credit Facility is in effect, the Construction Phase Credit Facility Provider, exercise any remedies or direct any proceedings under the Bond Documents or the Mortgage Loan Documents other than to (i) enforce rights under the Credit Facility, (ii) enforce the tax covenants in the Indenture, the Regulatory Agreement and this Financing Agreement, (iii) enforce rights of specific performance under the Regulatory Agreement or (iv) enforce the Issuer's Reserved Rights, provided, however, that any enforcement under (ii), (iii) or (iv) above shall not include seeking any monetary recovery against the Borrower apart from a monetary recovery associated with Reserved Rights and provided further that (A) any claim of the Issuer for a monetary recovery shall be subordinate to the payment obligations of the Mortgage Loan and (B) the enforcement of any claim for a monetary recovery shall not cause the Borrower to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Borrower under any applicable liquidation, insolvency, bankruptcy, rehabilitation, composition, reorganization, conservation or other similar law now or hereafter in effect; and

(b) so long as the Credit Facility remains outstanding and a Wrongful Dishonor has not occurred or, if it has occurred, is not continuing, neither the Issuer, the Trustee, nor any person under their control shall:

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

(ii) interfere with or attempt to influence the exercise by the Credit Provider of any of its rights under the Mortgage Loan, including, without limitation, its remedial rights under the Mortgage Loan upon the occurrence of an event of default by the Borrower under the Mortgage Loan; or

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

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## APPENDIX E

## APPENDIX E

### FORM OF OPINION OF BOND COUNSEL

*The form of the approving opinion of Vinson & Elkins LLP, bond counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the Bonds referred to therein, and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery.*

November 9, 2006

Texas Department of Housing  
and Community Affairs  
Austin, Texas

Fannie Mae  
Washington, D.C.

Merchant Capital, LLC  
Montgomery, Alabama

Regions Bank  
Birmingham, Alabama

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 \$9,800,000 Multifamily Housing Revenue Bonds (Aspen Park Apartments) Series 2006 (the "Bonds") pursuant to a resolution adopted by the Issuer on October 12, 2006 (the "Bond Resolution") and a Trust Indenture dated as of November 1, 2006 (the "Indenture"), by and between the Issuer and Regions Bank, an Alabama banking corporation, as trustee (the "Trustee"). The Bonds bear interest at the rate and mature on the date as provided in the Indenture. The Bonds are subject to mandatory and optional redemption prior to maturity as set forth in the Indenture. Capitalized terms used herein and not otherwise defined are used with the meanings assigned to such terms in the Indenture, in the Financing Agreement dated as of November 1, 2006 (the "Financing Agreement") among the Issuer, the Trustee and Summit Aspen Park Apartments, Ltd., an Alabama limited partnership (the "Borrower"), or in the Regulatory and Land Use Restriction Agreement dated as of November 1, 2006 (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 loan (the "Loan") to the Borrower to provide financing for the acquisition, rehabilitation and equipping of a residential rental project located in Houston, 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 40 percent) by Low-Income Tenants.

We have assumed with your permission and without independent verification (i) the genuineness of certificates, records and other documents 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 and certificates submitted to us as originals are accurate and complete; (iv) that all documents and certificates 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.

Bond Counsel's opinions also assume continuous compliance with all covenants and requirements set forth in the Indenture, the Financing Agreement and 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.

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 therefore and with respect to the exclusion from gross income for federal income tax purposes of interest on the Bonds. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and we express no opinion relating thereto (excepting only the matters set forth as our



supplemental opinion of Bond Counsel of even date herewith). We have not assumed any responsibility with respect to the financial condition or capability of the Issuer, the Borrower or Fannie Mae, as credit provider. We have participated in the preparation of and have examined a transcript of certain materials pertaining to the Bonds, including certain certified proceedings of the Issuer, the State of Texas, the Trustee and the Borrower, and customary certificates, opinions, affidavits and other documents executed by officers, agents and representatives of the Issuer, the State of Texas, the Trustee, the Borrower and others. We have also examined the fully-executed Bond numbered R-1.

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

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

In providing the opinions set forth in paragraphs 2 and 3 above, we have relied on, and assumed the accuracy and completeness of, representations made as of the date hereof by, among others, the Issuer, the Borrower and the Merchant Capital, LLC, as underwriter, with respect to matters solely within the respective knowledge of such parties, which matters we have not independently verified. Furthermore, in providing the opinions set forth in paragraphs 2 and 3 above, we have also assumed that there will be continuing compliance with the procedures, safeguards and covenants in the Indenture, the Financing Agreement, the Regulatory Agreement and the Tax Certificate pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. We have also relied on, and assumed the accuracy and completeness as of the date hereof of, the conclusions and assumptions set forth in the appraisal conducted and rendered by Novogradac & Company LLC, dated September 12, 2006 and the letter from Novogradac & Company LLC to Steven Gerdes dated October 25, 2006, regarding the economic life of the Development. In the event that such representations are determined to be inaccurate or incomplete or the Issuer or the Borrower fails to comply with the foregoing procedures, safeguards and covenants, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of original delivery of the Bonds, regardless of the date on which the event causing such includability occurs.

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

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

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

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

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

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

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

Very truly yours,

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## APPENDIX F

**APPENDIX F**  
**FORM OF CREDIT ENHANCEMENT INSTRUMENT (STAND-BY)**

**FANNIE MAE**  
**CREDIT ENHANCEMENT INSTRUMENT**  
**(STAND-BY)**

**\$9,800,000**  
**Texas Department of Housing and Community Affairs**  
**Multifamily Housing Revenue Bonds**  
**(Aspen Park Apartments)**  
**Series 2006**

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**November 9, 2006**

CREDIT ENHANCEMENT INSTRUMENT  
(Stand-By)

This Credit Enhancement Instrument (Stand-By), dated November 9, 2006 (the "Credit Facility"), is an undertaking of Fannie Mae, and is provided at the request and pursuant to the instructions of Summit Aspen Park Apartments, Ltd., an Alabama limited partnership (the "Borrower") for the benefit of Regions Bank, an Alabama banking corporation (the "Trustee"), not in its individual or corporate capacity, but solely as Trustee under the Indenture.

The meaning of capitalized terms can be determined  
by reference to Section 1.1.

In consideration of the Borrower entering into the Reimbursement Agreement, the payment of certain fees to Fannie Mae, and other good and valuable consideration, Fannie Mae undertakes the following:

1. Definitions: Interpretation; Reference Materials.

1.1 **Definitions.** Capitalized terms used in this Credit Facility shall have the meanings given to those terms in this Section 1.1 or elsewhere in this Credit Facility. Capitalized terms used in this Credit Facility and not defined in this Credit Facility are defined in, and have the meanings given to those terms in, the Indenture or the Financing Agreement.

"**Act of Bankruptcy**" means any proceeding instituted under the Bankruptcy Code by or against the Borrower or the Loan Servicer.

"**Advance**" means a Scheduled Payment Advance, an Extraordinary Advance, a Bankruptcy-Related Advance or a Purchased Bonds Advance, as such terms are defined in Section 4.

"**Affiliate**" as applied to any person, means any other person directly or indirectly controlling, controlled by, or under common control with, that person. For purposes of this definition, "control" (including with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that person, whether through the ownership of voting securities, partnership interests or by contract or otherwise.

"**Amount Available**" has the meaning given to that term in Section 2.

"**Assignment**" means the Assignment and Intercreditor Agreement, dated as of November 1, 2006 among the Issuer, the Trustee and Fannie Mae, and acknowledged, accepted and agreed to by the Borrower, as it may be amended, modified, supplemented or restated from time to time.

"**Authorized Officer**" means an officer of the Trustee who is duly authorized to execute and deliver Certificates on behalf of the Trustee.

"**Bankruptcy Code**" means Title 11 of the United States Code, entitled "Bankruptcy", as now in effect and as amended from time to time in the future, or any successor provisions of federal law.

"**Bankruptcy-Related Advance**" has the meaning given to that term in Section 4.1(iii).

"**Bankruptcy-Related Interest Portion**" has the meaning given to that term in Section 2(ii).

"**Bonds**" means the Issuer's \$9,800,000 aggregate principal amount Multifamily Housing Revenue Bonds (Aspen Park Apartments) Series 2006 issued under and secured by the Indenture.

**"Borrower"** means the person identified as such in the first paragraph of this Credit Facility as the "Borrower" and any successor as permitted under the Security Instrument.

**"Business Day"** means a day other than (a) a Saturday or a Sunday, (b) any day on which banking institutions located in the City of New York, New York or the city in which the Principal Office of the Trustee is located are required or authorized by law or executive order to close (c) on and after the Conversion Date, a day on which banking institutions located in the city in which the Principal Office of the Loan Servicer is located are required or authorized by law or executive order to close, (d) any day on which Fannie Mae is closed or (e) a day on which the New York Stock Exchange is closed.

**"Capitalized Interest Payment"** means any regularly scheduled monthly payment of interest at the Mortgage Note Rate under the Mortgage Note, which is to be funded from amounts on deposit in the Capitalized Interest Account of the Mortgage Loan Fund and withdrawn by the Trustee, in accordance with the Indenture, to pay interest due on the Bonds, as to which payment the Borrower is entitled to receive a credit under, and subject to the terms and conditions of, Section 8 of the Mortgage Note.

**"Certificate"** means any certificate in a form attached to this Credit Facility as an Exhibit.

**"Credit Facility"** means this Credit Enhancement Instrument (Stand-By), as it may be amended, modified, supplemented or restated from time to time.

**"Due Date"** means the eighteenth (18th) day of each month or, if such day is not a Business Day, the next preceding Business Day.

**"Event of Default"** means any Event of Default as defined in the Reimbursement Agreement.

**"Excluded Bond"** means any Bond which is not Outstanding under the Indenture, any Special Purchase Bond, any Purchased Bond or any other Bond registered in the name of or otherwise owned, directly or indirectly, by the Borrower or by any Affiliate of the Borrower.

**"Exhibit"** means any exhibit to this Credit Facility.

**"Expiration Date"** means the Expiration Date stated in Section 3.1.

**"Fannie Mae"** means Fannie Mae, a corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. §1716 et seq., as amended from time to time, and its successors and assigns.

**"Financing Agreement"** means the Financing Agreement, dated as of November 1, 2006, among the Issuer, the Trustee and the Borrower, as it may be amended, modified, supplemented or restated from time to time.

**"Indenture"** means the Trust Indenture, dated as of November 1, 2006, between the Issuer and the Trustee, as it may be amended, modified, supplemented or restated from time to time.

**"Interest Portion"** has the meaning given to that term in Section 2(ii).

**"Issuer"** means the Texas Department of Housing and Community Affairs, a public and official agency of the State of Texas, and its successors and assigns.

**"Loan Servicer"** means, initially, Greystone Servicing Corporation, Inc., or any other entity approved by Fannie Mae, in its discretion, as the servicer of the Mortgage Loan, and any permitted successors or assigns.

**"Loan Servicer Advance"** means any advance made by the Loan Servicer of any amount payable under the Mortgage Note upon the Borrower's failure to pay such amount when due, including, but not limited to, a Required Mortgage Payment.

**"Mortgage Loan Payment Amortization Schedule"** means the Mortgage Loan Payment Amortization Schedule attached to and a part of this Credit Facility, as it may be amended from time to time.

**"Pass-Through Rate"** has the meaning given to that term in the Mortgage Note.

**"Principal Portion"** has the meaning given to that term in Section 2(i).

**"Required Mortgage Payment"** means only (a) the regularly scheduled monthly payments of interest (at the Pass-Through Rate), or payments of principal and interest (at the Pass-Through Rate), as the case may be, due and payable under the Mortgage Note on the first day of each month, and (b) on the maturity date of the Mortgage Note, the unpaid principal balance of the Mortgage Note and all accrued and unpaid interest (at the Pass-Through Rate) due on the Mortgage Note as of the maturity date of the Mortgage Note. "Required Mortgage Payment" does not mean and expressly excludes, (a) all other payments due or payable under the Mortgage Note, the Security Instrument and the other Mortgage Loan Documents, such exclusion to extend expressly, without limitation, to (1) interest in excess of interest at the Pass-Through Rate, including that portion of the Mortgage Note Rate that comprises Set Rate Interest, (2) any prepayment of principal and accrued and unpaid interest on the Mortgage Note attributable to such principal, including any payments in respect of the principal of, premium, if any, and interest on, the Bonds payable to the Bondholders upon a redemption of Bonds occasioned by a prepayment of the Mortgage Note, (3) late charges, (4) default interest, (5) payments for reserves, taxes, insurance and other impositions and (6) payments pursuant to any Collateral Agreement (as defined in the Security Instrument) executed in connection with the Mortgage Loan, (b) all payments on the Mortgage Note in respect of the principal of, premium, if any, and the interest on, any Excluded Bond and (c) all payments due in respect of any Capitalized Interest Payment.

**"Security Instrument"** has the meaning given that term in the Mortgage Note.

**"Set Rate Interest"** has the meaning given to that term in the Mortgage Note.

**"Termination Date"** has the meaning given to that term in Section 3.1.

1.2 **Rules of Construction.** The following rules of construction shall apply to this Credit Facility.

(i) Words importing persons include natural persons, trusts, companies, associations, partnerships, limited liability companies and corporations.

(ii) The singular form of any word used in this Credit Facility, including the terms defined in Section 1.1, shall include the plural, and vice versa, unless the context otherwise requires; the use in this Credit Facility of a pronoun of any gender shall include correlative words of the other gender.

(iii) All references to Certificates shall mean certificates in the forms attached to this Credit Facility.

(iv) All references to Exhibits shall mean Exhibits to this Credit Facility.

(v) Sections mentioned by number only are the respective sections of this Credit Facility so numbered.



(vi) References to "this section" or "this subsection" shall refer to the particular section or subsection of this Credit Facility in which such reference appears.

(vii) Any captions, titles or headings preceding the text of any section are solely for convenience of reference and shall not constitute part of this Credit Facility, shall not limit or otherwise affect its meaning, construction or effect and shall not be deemed to describe the scope or intent of any provision of this Credit Facility.

(viii) Wherever the term "including" is used in this Credit Facility, such term shall mean "including, but not limited to, and only by way of example."

2. **Amount Available.** The Amount Available of this Credit Facility (a) for Advances other than Bankruptcy-Related Advances is \$9,874,574 and (b) for Bankruptcy-Related Advances is \$9,972,105 (in either case, as such amount may be reduced or reinstated from time to time under this Credit Facility, the "Amount Available"). Of the Amount Available:

(i) up to \$9,800,000.00 (the "Principal Portion") is available to be advanced to the Trustee for (a) the payment of the unpaid principal balance of the Mortgage Note, or (b) amounts paid with respect to principal on the Mortgage Note which are recovered from any Bondholder as a result of an Act of Bankruptcy or prevented from being paid to the Bondholders as a result of an imposition of an automatic stay pursuant to the Bankruptcy Code or (c) the portion of the purchase price of Bonds tendered for purchase under the Indenture equal to the unpaid principal balance of the Bonds; and

(ii) up to (a) \$47,574 (the "Interest Portion") is available to be advanced to the Trustee for the payment of up to thirty-four (34) days of interest actually accrued on the unpaid principal balance of the Mortgage Note at the Pass-Through Rate, calculated on the basis of a 360 day year comprised of twelve 30-day months in connection with Advances other than Bankruptcy-Related Advances and (b) \$172,105 (the "Bankruptcy-Related Interest Portion") is available to be advanced to the Trustee for (1) the payment of up to one hundred twenty three (123) days of interest actually accrued on the Mortgage Note on the unpaid principal balance of the Mortgage Note at the Pass-Through Rate, calculated on the basis of a 360 day year comprised of twelve 30-day months, or (2) payment of the Initial Debt Service Deposit provided for in the Indenture, both in connection with Bankruptcy-Related Advances.

3. Expiration; Earlier Termination; Continuation; Business Day Convention; Cancellation.

3.1 **Expiration; Earlier Termination.** This Credit Facility expires at 4:00 p.m., Washington, D.C. time, on July 6, 2039 (the "Expiration Date"). This Credit Facility terminates automatically upon the first to occur of (a) the Expiration Date, (b) the honoring by Fannie Mae of an Advance which has the effect of reducing the Principal Portion to zero when such Principal Portion is not subject to reinstatement or (c) Fannie Mae's receipt of a Certificate in the form of Exhibit I (which shall be conclusive evidence of the matters set forth in such Certificate) signed by a person who purports to be an Authorized Officer. The date determined in the preceding sentence is the "Termination Date" of this Credit Facility.

3.2 **Business Day Convention.** In the event that any date on which this Credit Facility would otherwise expire or terminate shall be a day other than a Business Day, this Credit Facility shall continue in effect and shall not expire or terminate until 4:00 p.m., Washington, D.C. time, on the first Business Day after the date on which this Credit Facility would otherwise expire or terminate.

3.3 **Continuation.** Notwithstanding the provisions of Sections 3.1 and 3.2, this Credit Facility shall continue in effect beyond the Termination Date solely with respect to Fannie Mae's

obligations to make a Bankruptcy-Related Advance with respect to any payment made by the Borrower under the Mortgage Note or with respect to any Loan Servicer Advance made prior to such Termination Date and within one hundred twenty three (123) days prior to an Act of Bankruptcy until the earlier of the date on which Fannie Mae shall have paid to the Trustee the amount recovered or the date on which all applicable statutes of limitations shall have expired without a claim having been filed (or if any claim shall have been filed prior to such expiration, the latter of the date on which such claim has been denied with prejudice by a final order which is no longer subject to appeal or the date on which such claim has been paid by Fannie Mae). In no event shall this Credit Facility be deemed to continue in effect beyond the Termination Date to the extent that any Advance by Fannie Mae with respect to the Mortgage Loan would be applied by the Trustee to the payment of principal or interest on any Excluded Bond.

3.4 **Delivery.** This Credit Facility shall be returned to Fannie Mae upon termination of all of Fannie Mae's obligations under this Credit Facility.

4. Advances.

4.1 **Certificates.** Fannie Mae shall advance funds under this Credit Facility upon presentation of the applicable Certificate by the Trustee to Fannie Mae at the address and in the manner set forth in Section 5. Any Certificate submitted to Fannie Mae by the Trustee shall (a) have all blanks appropriately completed, (b) be signed by an Authorized Officer and (c) be a Certificate in the form of:

(i) Exhibit A (a "Scheduled Payment Advance") if the Advance is requested by the Trustee because, as of 3:00 p.m., Washington, D.C. time, on the Business Day immediately following a Due Date, the Trustee either (a) has not received a Required Mortgage Payment or (b) has received payment of an amount less than the amount of the Required Mortgage Payment due to the Trustee on the Due Date;

(ii) Exhibit B (an "Extraordinary Advance") if the Advance is requested by the Trustee (a) as a result of an acceleration of the Bonds pursuant to Section 9.2 of the Indenture, or (b) in connection with a special mandatory redemption of the Bonds pursuant to Sections 3.3(3), 3.3(4) or 3.3(5) of the Indenture, including any such Advance applied to the purchase of Bonds pursuant to Section 3.9(1) of the Indenture;

(iii) Exhibit C (a "Bankruptcy-Related Advance") if the Advance is requested by the Trustee with respect to (a) any payment made by the Borrower under the Mortgage Note, (b) any prepayment made by the Borrower under the Mortgage Note (1) with the consent of Fannie Mae in connection with an optional redemption of the Bonds (excluding the amount of such prepayment relating to the premium due on the Bonds, if any, and interest due on the Bonds from the date of prepayment of the Mortgage Loan to the Redemption Date) or (2) in connection with a Pre-Conversion Loan Equalization Payment, or (c) any Loan Servicer Advance, which is recovered from any Bondholder as a result of an Act of Bankruptcy or prevented from being paid to the Bondholders as a result of the imposition of an automatic stay pursuant to the Bankruptcy Code; or

(iv) Exhibit D (a "Purchased Bonds Advance ") if the Advance is requested by the Trustee under Section 2.17(1)(4) of the Indenture to pay the principal amount of, plus accrued interest on, Bonds tendered for purchase pursuant to the terms of Section 2.17 of the Indenture.

4.2 **Manner of Payment.** All Advances made under this Credit Facility will be made with Fannie Mae's own funds in immediately available funds. Fannie Mae, by delivery of a Notice of Credit in the form attached to this Credit Facility as Exhibit H, may direct the Trustee from time to time to effect an Advance by deducting the amount of the Advance from an account maintained by Fannie Mae with the financial institution serving as Trustee; any such deduction shall constitute payment under this Credit Facility.

4.3 **Exclusions.** The Trustee shall not request Advances and Advances shall not be made under this Credit Facility to pay (a) the principal of, or interest on, or the purchase price of, any Excluded Bond, (b) premium that may be payable upon the redemption of any Bond or (c) interest that may accrue on the Mortgage Note or any Bond after the maturity of the Mortgage Note or such Bond.

5. Timing of Advances.

5.1 **Presentation of Certificates.** Funds under this Credit Facility are available to the Trustee upon presentation of the Trustee's appropriately completed Certificate in the form of Exhibit A, B, C or D, as stated in Section 4.1. Presentation of a Certificate shall be made at Fannie Mae's office located at:

Fannie Mae  
Drawer AM  
3900 Wisconsin Avenue, N.W.  
Washington, D.C. 20016  
Attention: Director, Multifamily Operations – Stand-By Credit Facility

Notwithstanding the foregoing, in the event of any Purchased Bonds Advance, presentation of the Certificate in the form of Exhibit D shall be made at Fannie Mae's office located at:

Fannie Mae  
3900 Wisconsin Avenue, NW  
Washington, D.C. 20016  
Attention: Director of Fiscal Agency  
Relations, Treasurer's Office

And, in addition, with a copy to

Fannie Mae  
3900 Wisconsin Avenue, N.W.  
Washington, D.C. 20016  
Attention: Director of Multifamily Asset Servicing

In lieu of presentation to Fannie Mae of a Certificate required by this Credit Facility, the Trustee may transmit the Certificate to Fannie Mae by means of telecopy (such transmission to be immediately followed by telephonic notice) at the address (or in the case of a Purchased Bonds Advance, addresses) provided in Section 12.1. Fannie Mae may provide for a means of electronic submission of Certificates by subsequent notice to the Trustee.

5.2 **Payment of Advance.** Fannie Mae agrees that upon due delivery of a Certificate as specified in Section 4.1 in compliance with the terms of this Credit Facility, Fannie Mae will honor payment of the amount specified in the Certificate if presented as specified in this Section 5.2(1) on or before the Termination Date.

5.2(1) **Scheduled Payment Advance or Bankruptcy-Related Advance.** If a Certificate in respect of a Scheduled Payment Advance or a Bankruptcy-Related Advance is presented under this Credit Facility:

(i) at or prior to 12:00 noon, Washington, D.C. time, on a Business Day, and provided that the Certificate so presented conforms to the requirements of this Credit Facility, no later than 12:00 noon, Washington, D.C. time, on the fifth Business Day following such presentation, Fannie Mae either shall pay to the Trustee the amount specified or provide the Trustee with the fedwire number relating to the wiring of that amount; or

(ii) after 12:00 noon, Washington, D.C. time, on a Business Day, and provided that the Certificate so presented conforms to the requirements of this Credit Facility, no later than 12:00 noon, Washington, D.C. time, on the sixth Business Day following such presentation, Fannie Mae either shall pay to the Trustee the amount specified or provide the Trustee with the fedwire number relating to the wiring of that amount.

**5.2(2) Extraordinary Advance.** If a Certificate in respect of an Extraordinary Advance is presented under this Credit Facility:

(i) at or prior to 12:00 noon, Washington, D.C. time, on a Business Day, and provided that the Certificate so presented conforms to the requirements of this Credit Facility, no later than 12:00 noon, Washington, D.C. time, on the fifth (5th) Business Day following such presentation, Fannie Mae either shall pay to the Trustee the amount specified or provide the Trustee with the fedwire number relating to the wiring of that amount; or

(ii) after 12:00 noon, Washington, D.C. time, on a Business Day, and provided that the Certificate so presented conforms to the requirements of this Credit Facility, no later than 12:00 noon, Washington, D.C. time, on the sixth (6th) Business Day following such presentation, Fannie Mae either shall pay to the Trustee the amount specified or provide the Trustee with the fedwire number relating to the wiring of that amount.

**5.2(3) Purchased Bonds Advance.**

**5.2(3)(A) Failed Remarketing.** If as a result of a failure to satisfy the conditions of Section 2.17(1)(3) of the Indenture for the remarketing of the Bonds on a Remarketing Date, a certificate in respect of a Purchased Bonds Advance is presented under this Credit Facility:

(i) at or prior to 9:30 a.m., Washington, D.C. time, on the third Business Day preceding a Remarketing Date, and provided that the certificate so presented conforms to the requirements of this Credit Facility, no later than 12:00 noon, Washington, D.C. time, on the remarketing date, Fannie Mae either shall pay to the Trustee the amount specified or provide the Trustee with the fedwire number relating to the wiring of that amount; or

(ii) after 9:30 a.m., Washington, D.C. time, on the third Business Day preceding a Remarketing Date, and provided that the certificate conforms to the requirements of this Credit Facility, no later than 12:00 noon, Washington, D.C. time, on the first Business Day following the Remarketing Date, Fannie Mae either shall pay the amount specified or provide the Trustee with the fedwire number relating to the wiring of that amount; or

**5.2(3)(B) Insufficient Moneys.** If, as a result of there being insufficient moneys available to the Trustee on a Remarketing Date to effect the remarketing of all of the Bonds on the Remarketing Date (notwithstanding the satisfaction of the conditions of Section 2.17(1)(3) of the Indenture for the remarketing of the Bonds on the Remarketing Date), a certificate in respect of a Purchased Bonds Advance is presented under this Credit Facility:

(i) at or prior to 9:30 a.m., Washington, D.C. time, on the Business Day following the remarketing date, and provided that the certificate conforms to the requirements of this Credit Facility, no later than 12:00 noon, Washington, D.C. time, on any date no later than the third Business Day following the scheduled Remarketing Date,

Fannie Mae either shall pay to the Trustee the amount specified or provide the Trustee with the fedwire number relating to the wiring of that amount, or

(ii) after 9:30 a.m., Washington, D.C. time, on the Business Day following the Remarketing Date, and provided that the certificate conforms to the requirements of this Credit Facility, no later than 12:00 p.m., Washington, D.C. time, on any date no later than the fourth Business Day following the scheduled Remarketing Date, Fannie Mae either shall pay to the Trustee the amount specified or provide the Trustee with the fedwire number relating to the wiring of that amount.

6. Reduction; Reinstatement.

6.1 Reduction.

**6.1(1) Principal Portion.** The Principal Portion of the Amount Available shall be reduced permanently by (a) the portion of the amount of each Scheduled Payment Advance, Extraordinary Advance, Bankruptcy-Related Advance and Purchased Bonds Advance made by Fannie Mae under this Credit Facility allocable to principal payable under the Mortgage Note, subject to reinstatement following a Purchased Bonds Advance as provided in Section 6.2(1) or (b) the principal amount specified in a Certificate of Reduction in the form of Exhibit E, signed by a person who purports to be an Authorized Officer, delivered to Fannie Mae. The portion of each Scheduled Payment Advance, Extraordinary Advance, Bankruptcy-Related Advance and Purchased Bonds Advance allocable to principal payable under the Mortgage Note shall (a) in the case of a Scheduled Payment Advance, be equal to the principal portion of the Required Mortgage Payment covered by the Scheduled Payment Advance (determined by reference to the Mortgage Loan Payment Amortization Schedule) or (b) in the case of an Extraordinary Advance, a Bankruptcy-Related Advance, or a Purchased Bonds Advance, be equal to the principal portion of the Mortgage Note covered by the Extraordinary Advance, the Bankruptcy-Related Advance or the Purchased Bonds Advance. The Principal Portion of the Amount Available shall also be reduced permanently and automatically, and shall not be subject to reinstatement, one hundred twenty-three (123) days after (a) each payment on the Mortgage Note by the Borrower to the extent such payment reduces the outstanding principal balance of the Mortgage Note, the amount of the reduction to be an amount equal to the portion of the Borrower's Mortgage Note payment applied to reduce the outstanding principal balance of the Mortgage Note (determined by reference to the Mortgage Loan Payment Amortization Schedule, unless otherwise specified by Fannie Mae) or (b) each Loan Servicer Advance which reduces the outstanding principal balance of the Mortgage Note, the amount of such reduction to be in an amount equal to the portion of the Loan Servicer Advance applied to reduce the outstanding principal balance of the Mortgage Note (determined by reference to the Mortgage Loan Payment Amortization Schedule, unless otherwise specified by Fannie Mae), provided that, in the case of (1) a payment by the Borrower, an Act of Bankruptcy has not occurred as to the Borrower within such one hundred twenty-three (123) day period, and (b) a Loan Servicer Advance, an Act of Bankruptcy has not occurred as to the Loan Servicer within such one hundred twenty-three (123) day period. Fannie Mae shall notify the Trustee in writing, within ten (10) days after receipt of written notice from the Loan Servicer of the application of any payment on the Mortgage Note by the Borrower or any Loan Servicer Advance applied to reduce the outstanding principal balance of the Mortgage Note other than in accordance with the Mortgage Loan Payment Amortization Schedule, and the amount of such reduction.

**6.1(2) Interest Portion.** The Interest Portion of the Amount Available shall be reduced by (a) the portion of the amount of each Scheduled Payment Advance, Extraordinary Advance, Bankruptcy-Related Advance and Purchased Bonds Advance made by Fannie Mae under this Credit Facility allocable to interest due under the Mortgage Note, subject to reinstatement as provided in Section 6.2(2) or (b) the interest amount specified in a Certificate of Reduction in the form of Exhibit E, signed by a person who purports to be an Authorized Officer, delivered to Fannie Mae. The Interest Portion of the Amount Available shall be reduced

permanently and automatically in an amount equal to thirty-four (34) days interest calculated at the Pass-Through Rate on the basis of a 360 day year comprised of twelve 30-day months in the amount of any permanent reduction in the Principal Portion of the Amount Available.

**6.1(3) Reduction Without Exception.** Reductions of the Principal Portion and the Interest Portion under Section 6.1(1) and Section 6.1(2), respectively, shall be automatic, notwithstanding any acts or omissions, whether authorized or unauthorized, of the Trustee or any officer, director, employee or agent of the Trustee in connection with any Advance under this Credit Facility or the proceeds of any Advance or otherwise in connection with this Credit Facility.

6.2 Reinstatement — Scheduled Payment Advance; Extraordinary Advance; Purchased Bonds Advance.

**6.2(1) Reinstatement of Principal Portion.** The Principal Portion of any Scheduled Payment Advance or any Extraordinary Advance shall not be reinstated. The principal portion of any Purchased Bonds Advance shall be reinstated upon Fannie Mae's receipt of (a) a certificate in the form of Exhibit F, signed by a person who purports to be an Authorized Officer, delivered to Fannie Mae and (b) the total amount specified in Exhibit F.

**6.2(2) Reinstatement of Interest Portion.** The Interest Portion of a Scheduled Payment Advance shall, subject to permanent reduction in an amount equal to thirty-four (34) days interest calculated at the Pass-Through Rate on the basis of a 360 day year comprised of twelve 30-day months in the amount of the permanent reduction in the Principal Portion of the Amount Available on account of such Scheduled Payment Advance, be reinstated immediately and automatically, in an amount equal to the amount of the Interest Portion of the Scheduled Payment Advance (subject, however, to any permanent reduction of the Interest Portion in connection with a permanent reduction of the Principal Portion of the Amount Available, as provided above). The Interest Portion of a Purchased Bonds Advance shall be reinstated upon Fannie Mae's receipt of a certificate in the form of Exhibit F signed by a person who purports to be an Authorized Officer.

6.3 Reinstatement; Bankruptcy-Related Advance.

**6.3(1) Principal Portion.** Bankruptcy-Related Advances of the Principal Portion of the Amount Available under this Credit Facility for payment of amounts paid by the Borrower as principal of the Mortgage Note or by the Loan Servicer as a Loan Servicer Advance and either (a) recovered from Bondholders pursuant to the Bankruptcy Code or (b) made subject to the automatic stay prior to payment to the Bondholders shall not be reinstated and the Principal Portion of the Amount Available shall be reduced permanently and automatically by an amount equal to the amount of principal so paid.

**6.3(2) Interest Portion.** Bankruptcy-Related Advances of the Bankruptcy-Related Interest Portion of the Amount Available under this Credit Facility shall not be reinstated and shall be reduced permanently and automatically in an amount equal to one hundred twenty-three (123) days of interest at the Pass-Through Rate, calculated on the basis of a 360 day year comprised of twelve 30-day months, in the amount of any permanent reduction in the Principal Portion of the Amount Available on account of a Bankruptcy-Related Advance. Subject to the foregoing, a Bankruptcy-Related Advance of the Bankruptcy-Related Interest Portion of the Amount Available under this Credit Facility shall be reinstated automatically, in an amount equal to the amount of the Bankruptcy-Related Interest Portion, upon the earlier of (a) Fannie Mae's receipt of an amount equal to the Borrower's reimbursement obligations to Fannie Mae pursuant to the Reimbursement Agreement with respect to any such Bankruptcy-Related Advance or (b) the tenth calendar day following the date of the making of such Bankruptcy-Related Advance unless such tenth calendar day would be after the Expiration Date or, if earlier, the Termination Date, such automatic reinstatement to be in an amount equal to the amount of the Bankruptcy-Related Interest Portion

of such Bankruptcy-Related Advance (subject, however, to any permanent reduction in the Bankruptcy-Related Interest Portion Amount Available in connection with a permanent reduction in the Principal Portion of the Amount Available).

6.4 **Substitute Credit Facility.** Upon any reduction in the Amount Available under this Credit Facility, as provided in this Credit Facility, Fannie Mae may deliver to the Trustee a substitute Credit Facility in exchange for this Credit Facility, which shall have an amount available equal to the amount to which the Amount Available shall have been so reduced, but otherwise having terms identical to this Credit Facility, except for such changes in dollar amount corresponding to such permanent reduction or otherwise identifying any substitute Borrower or any substitute Mortgage Loan Document.

7. **Discharge of Obligations.** Only the Trustee may request an Advance under this Credit Facility. Upon the payment to the Trustee of the amount specified in a Certificate presented under this Credit Facility, Fannie Mae shall be fully discharged of its obligations under this Credit Facility with respect to the amount paid under such Certificate and Fannie Mae shall not thereafter be obligated to make any further payments under this Credit Facility in respect of the amount paid under such Certificate to the Trustee or any other person who may have made to the Trustee or makes to the Trustee a demand for payment of principal of, purchase price of, or interest on the Mortgage Note or any Bond.

8. **Nature of Fannie Mae's Obligations.** Fannie Mae's obligation to make an Advance to the Trustee upon the proper presentation of a Certificate which conforms strictly to the terms and conditions of this Credit Facility are absolute, unconditional and irrevocable, shall be fulfilled strictly in accordance with this Credit Facility and shall not be affected by any rights of set-off, recoupment or counterclaim Fannie Mae might otherwise have against the Issuer, the Trustee, the Remarketing Agent, the Borrower, the Loan Servicer or any other person. Fannie Mae's obligations under this Credit Facility are primary obligations and shall not be suspended, discontinued, reduced, terminated or affected by the performance or non-performance by the Issuer under the Indenture or the Bonds or the Borrower under the Mortgage Note or the Reimbursement Agreement or by the performance or non-performance of any party under any agreement between or among the Issuer and the Trustee, the Issuer and the Borrower or the Borrower and Fannie Mae, including without limitation, the Reimbursement Agreement.

9. **Transfer.** This Credit Facility may be successively transferred in its entirety (but not in part) upon presentation to Fannie Mae of an appropriately completed transfer form attached as Exhibit G, signed by a person who purports to be an Authorized Officer, to the transferee specified in such Certificate. Except as provided in the preceding sentence, the Trustee shall not transfer, assign or release this Credit Facility other than to Fannie Mae on termination.

10. **Non-Conformance of Documentation.** If a request for payment under this Credit Facility made by the Trustee does not conform to the terms and conditions of this Credit Facility, Fannie Mae will notify the Trustee of such lack of conformity within a reasonable time after delivery of such request for payment, such notice to be promptly confirmed in writing to the Trustee, and Fannie Mae shall hold any documents at the Trustee's disposal or, at the Trustee's option, return the same to the Trustee.

11. **Credit Facility Following Foreclosure.** In the event that Fannie Mae acquires the Mortgaged Property through foreclosure, by accepting a deed-in-lieu of foreclosure or by comparable conversion of the Mortgage Loan, this Credit Facility shall continue in full force and effect. After any such conversion of the Mortgage Loan, Fannie Mae may deliver to the Trustee a substitute Credit Facility in exchange for this Credit Facility, which shall have an amount available equal to the amount to which the Amount Available may have been so reduced, but otherwise having terms identical to this Credit Facility, except for such changes in dollar amount corresponding to such permanent reduction or otherwise identifying any substitute Borrower or revised Mortgage Loan Documents.

12. **Notice.**

12.1 **Fannie Mae.** All documents, notices and other communications (a) must be in writing and be personally delivered to Fannie Mae (i) for all Advances at 3900 Wisconsin Avenue, Washington, D.C. 20016 Attention: Director, Multifamily Operations – Stand-By Credit Facility and (ii) in the event of

any Purchased Bonds Advance, with a copy to the same address, Attention: Director of Fiscal Agency Relations, Treasury Backoffice or (b) may be sent to Fannie Mae by telecopy (i) for all Advances to Telecopy No. (301) 280-2042 and (ii) in the event of a Purchased Bonds Advance with a copy to Telecopy No. (202) 752-6087 and (c) make specific reference to this Credit Facility by the Mortgage Loan number relating to this Credit Facility. All telephonic notices confirming telecopy communications to Fannie Mae shall be made to the Vice President, Multifamily Operations at Telephone No. (301) 204-8422. Fannie Mae shall notify the Trustee in writing of any change in address or telecopy number to which all documents, notices and other communications should be delivered or of any changes relating to the person to be called for telephonic notices confirming telecopy communications. Any such written notice shall upon receipt by the Trustee be immediately binding under this Credit Facility.

12.2 **Trustee.** All notices to the Trustee under this Credit Facility sent by telecopy shall be addressed to it at Telecopy No. (205) 968-9145. Such number may be changed only by presentation to Fannie Mae of a letter executed by an Authorized Officer certifying that he or she is such an officer, in form satisfactory to Fannie Mae and specifying a different Telecopy Number.

13. **Entire Credit Facility.** This Credit Facility sets forth in full the terms of Fannie Mae's undertaking and shall not in any way be amended, amplified or limited by reference to any document, instrument or agreement referred to in this Credit Facility (including, without limitation, the Bonds) or in which this Credit Facility is referred to or to which this Credit Facility relates, except for the Exhibits referred to in this Credit Facility; any such reference shall not be deemed to incorporate into this Credit Facility by reference any document, instrument or agreement except for such Exhibits.

[Remainder of page intentionally blank.]



14. **Governing Law.** The Credit Facility shall be governed by the laws of the District of Columbia, including the Uniform Commercial Code as in effect in the District of Columbia.

**FANNIE MAE**

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

**EXHIBIT A**

**CERTIFICATE FOR "SCHEDULED PAYMENT ADVANCE"**

Any capitalized term used but not defined  
in this Certificate shall have the meaning  
given that term in the Credit Facility.

The Trustee named below (the "Trustee"), by the undersigned, a duly authorized officer of the Trustee, certifies to Fannie Mae, with reference to the Fannie Mae Credit Enhancement Instrument (Stand-By) relating to Mortgage Loan No. \_\_\_\_\_ (the "Credit Facility"), that:

- (1) The Trustee is the Trustee under the Indenture.
- (2) The Trustee has not received a Required Mortgage Payment due to the Trustee on the Due Date falling on \_\_\_\_\_, or has received a payment on or before such Due Date but in an amount less than the amount of the Required Mortgage Payment due to the Trustee on such Due Date.
- (3) The amount of the Required Mortgage Payment due to the Trustee on the Due Date was \$\_\_\_\_\_.
- (4) The Trustee received a payment on or before the Due Date in an amount equal to \$\_\_\_\_\_, which amount is less than the amount of the Required Mortgage Payment due to the Trustee on the Due Date.
- (5) The amount of the deficiency in the Required Mortgage Payment is \$\_\_\_\_\_.
- (6) The Trustee requests payment of a Scheduled Payment Advance in the amount of the deficiency in the Required Mortgage Payment, which amount requested is \$\_\_\_\_\_.
- (7) The amount of the requested Advance does not exceed the Amount Available for a Scheduled Payment Advance and was determined in accordance with the Mortgage Loan Payment Amortization Schedule.
- (8) In accordance with the Mortgage Loan Payment Amortization Schedule, the portion of the requested Advance representing principal on the Mortgage Note is \$\_\_\_\_\_, and the portion of the requested Advance representing interest on the Mortgage Note is \$\_\_\_\_\_.
- (9) Upon receipt by the Trustee of the Advance requested by this Certificate, the Trustee will deposit the Advance into the Credit Facility Account of the Revenue Fund held under the Indenture and will apply the Advance solely for the purposes specified in the Indenture; no portion of such amount shall be applied by the Trustee for any purpose other than as specified in the Indenture.
- (10) Payment of the Advance shall be made to the Trustee at [SPECIFY ACCOUNT].
- (11) Upon payment in accordance with this Certificate, the Amount Available to be requested by the Trustee under the Credit Facility in respect of the Principal Portion is reduced to \$\_\_\_\_\_ and the Amount Available to be requested by the Trustee in respect of the Interest Portion is reduced to \$\_\_\_\_\_, subject to reinstatement in accordance with the Credit Facility.

The Trustee has executed and delivered this Certificate on \_\_\_\_\_.

\_\_\_\_\_, as Trustee

By: \_\_\_\_\_  
Authorized Officer

EXHIBIT B

CERTIFICATE FOR "EXTRAORDINARY ADVANCE"

Any capitalized term used but not defined in this Certificate shall have the meaning given that term in the Credit Facility.

The Trustee named below (the "Trustee"), by the undersigned, a duly Authorized Officer of the Trustee, certifies to Fannie Mae, with reference to the Fannie Mae Credit Enhancement Instrument (Stand-By) relating to Mortgage Loan No. \_\_\_\_\_ (the "Credit Facility"), that:

(1) The Trustee is the Trustee under the Indenture

(2) Either (check applicable box):

(A) payment of the Bonds has been accelerated in accordance with and as permitted by the Indenture; or

(B) the Trustee has received a prepayment of the Mortgage Loan following the involuntary destruction or loss of the Mortgaged Property in its entirety or nearly in its entirety as a result of casualty or condemnation or an award in lieu of condemnation and the sum of (1) the Proceeds (as defined in the Indenture) applied to the prepayment of the Mortgage Note, (2) funds, if any, on deposit in the Funds and Accounts (other than the Rebate Fund, the Costs of Issuance Fund and the Fees Account) under the Indenture to be applied, at the direction of Fannie Mae, to the payment of the Mortgage Loan and (3) funds provided by the Borrower pursuant to the Financing Agreement, is less than the unpaid principal balance of the Bonds Outstanding and therefore insufficient to effect a special mandatory redemption of the Bonds pursuant to Section 3.3(4) of the Indenture; or

(C) the Bonds are subject to special mandatory redemption in whole pursuant to Section 3.3(3) of the Indenture or if the Trustee has received Fannie Mae's written direction or written consent to effect a special mandatory redemption of the Bonds in whole in accordance with paragraph (i) or (ii) of Section 3.3(5) of the Indenture; or

(D) the Trustee has received Fannie Mae's written direction to effect a special mandatory redemption of the Bonds in part in accordance with paragraph (i) of Section 3.3(5) of the Indenture; or

(E) the Trustee has transferred amounts remaining in the Mortgage Loan Fund to the Redemption Account pursuant to Section 4.3(4)(1) or Section 4.3(4)(2) of the Indenture in order to effect a special mandatory redemption of Bonds pursuant to Section 3.3(2) of the Indenture, and the Borrower has failed to pay in full, when due, as required by paragraph (i) of Section 3.2(2) of the Financing Agreement, the interest payable on the Bonds to be redeemed, on account of such redemption, to the Redemption Date.

(3) The amount of the requested Advance (check applicable box) is:

(A) under paragraph (2)(A) of this Certificate is \$\_\_\_\_\_, which amount is sufficient, and does not exceed the amount necessary, after taking into account moneys, if any, on deposit in the Funds and Accounts (other than the Rebate Fund, the Costs of Issuance Fund and the Fees Account) under the Indenture, which amount under the Indenture is \$\_\_\_\_\_, to provide for payment of the outstanding principal balance of the Mortgage Loan, plus accrued interest on the Mortgage Loan at the Pass-Through Rate to the date of the Trustee's declaration of acceleration of the Bonds;

(B) under paragraph (2)(B) of this Certificate is \$\_\_\_\_\_, which amount is sufficient, and does not exceed the amount necessary, after taking into account the sum of (a) the amount of the Proceeds applied to the prepayment of the Mortgage Note, which amount is \$\_\_\_\_\_, (b) moneys, if any, on deposit in the Funds and Accounts (other than the Rebate Fund, the Costs of Issuance Fund and the Fees Account) under the Indenture to be applied, at the direction of Fannie Mae, to the payment of the Mortgage Loan, which amount is \$\_\_\_\_\_ and (c) funds provided by the Borrower pursuant to the Financing Agreement, which amount is \$\_\_\_\_\_, and the sum of all of which is \$\_\_\_\_\_, to provide for payment of the outstanding principal balance of the Mortgage Loan, plus accrued interest on the Mortgage Loan at the Pass-Through Rate to the date of the redemption of the Bonds and, therefore, to redeem all of the Bonds Outstanding;

(C) under paragraph (2)(C) of this Certificate is \$\_\_\_\_\_, which amount is sufficient, and does not exceed the amount necessary, after taking into account, at the direction of Fannie Mae, moneys, if any, on deposit in the Funds and Accounts (other than the Rebate Fund, the Costs of Issuance Fund and the Fees Account) under the Indenture, which amount under the Indenture is \$\_\_\_\_\_, to provide, with respect to a special mandatory redemption of the Bonds in whole under Section 3.3(3) or 3.3(5) of the Indenture, for payment of the outstanding principal balance of the Mortgage Loan, plus accrued interest on the Mortgage Loan at the Pass-Through Rate to the date of the redemption of the Bonds;

(D) under paragraph (2)(D) of this Certificate is \$\_\_\_\_\_, which amount is sufficient and does not exceed the amount necessary, after taking into account, at the direction of Fannie Mae, moneys, if any, held by the Trustee in the Funds and Accounts (other than the Rebate Fund, the Costs of Issuance Fund and the Fees Account) under the Indenture, which amount under the Indenture is \$\_\_\_\_\_, to provide, with respect to a special mandatory redemption in part pursuant to paragraph (i) of Section 3.3(5) of the Indenture, for payment of the amount by which the principal balance of the Mortgage Loan is to be paid in part, plus accrued interest on the Mortgage Loan at the Pass-Through Rate to the date of the redemption of the Bonds Outstanding to be redeemed; the portion of the requested Advance representing principal on the Mortgage Note is \$\_\_\_\_\_ and the portion of the requested Advance representing interest on the Mortgage Note is \$\_\_\_\_\_; or

(E) under paragraph (2)(E) of this Certificate is \$\_\_\_, which amount is sufficient and does not exceed the amount necessary, taking into account any payment made by the Borrower pursuant to paragraph (i) of Section 3.2(2) of the Financing Agreement with respect to interest due on the Bonds to be redeemed pursuant to Section 3.3(2) of the Indenture, to provide for payment of the interest due to the Bondholders to the date of the redemption of the Bonds to be redeemed.

(4) The amount of the requested Advance does not exceed the Amount Available.

(5) Upon receipt by the Trustee of the Advance requested by this Certificate, the Trustee will deposit the Advance into the Credit Facility Account of the Revenue Fund held under the Indenture and will apply the Advance solely for the purposes specified in the Indenture; no portion of such amount shall be applied by the Trustee for any purpose other than as specified in the Indenture.

(6) Payment of the Advance shall be made to the Trustee at [SPECIFY ACCOUNT].

(7) Upon payment in accordance with this Certificate, the Amount Available to be requested by the Trustee under the Credit Facility in respect of the Principal Portion is reduced to \$\_\_\_\_\_ and the Amount Available to be requested by the Trustee in respect of the Interest Portion is reduced to \$\_\_\_\_\_.

The Trustee has executed and delivered this Certificate on \_\_\_\_\_.

\_\_\_\_\_, as Trustee

By: \_\_\_\_\_  
Authorized Officer

EXHIBIT C

CERTIFICATE FOR "BANKRUPTCY-RELATED ADVANCE"

Any capitalized term used but not defined in this Certificate shall have the meaning given that term in the Credit Facility.

The Trustee named below (the "Trustee"), by the undersigned, a duly Authorized Officer of the Trustee, certifies to Fannie Mae, with reference to the Fannie Mae Credit Enhancement Instrument (Stand-By) relating to Mortgage Loan No. \_\_\_\_\_ (the "Credit Facility"), that:

(1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(2) Either (check applicable box):

(A) the Borrower has made a payment under the Mortgage Note or the Loan Servicer has made a Loan Servicer Advance, in either case which payment was used to pay interest or principal of and interest on the Bonds, and such payment would have been made by Fannie Mae had (a) the Borrower failed to make such payment, (b) the Loan Servicer failed to make a Loan Servicer Advance in lieu of such payment and (c) the Trustee properly presented a Certificate to Fannie Mae in the form of Exhibit A; or

(B) the Borrower made (a) a Pre-Conversion Loan Equalization Payment or (b) an optional prepayment under the Mortgage Note which has resulted in an optional redemption of Bonds which optional prepayment and redemption were consented to in writing by Fannie Mae; or

(C) a payment was made with monies held under the Indenture to pay the principal of or interest on the Bonds; and

(3) Either (check applicable box):

(A) the payments received by the Bondholders, as described in paragraph (2) above, have been recovered from Bondholders pursuant to sections 547, 549 or 550 of the Bankruptcy Code (or pursuant to any successor provisions of law) pursuant to a final nonappealable order of a court pursuant of competent jurisdiction in any proceeding instituted under such Bankruptcy Code; or

(B) the Trustee has been prevented from using moneys on deposit under the Indenture to pay an amount due to Bondholders pursuant to the terms of the Indenture as a result of the imposition of the automatic stay by a bankruptcy court under Section 362 of the Bankruptcy Code (or pursuant to any successor provision of law).

(4) The Trustee requests an Advance under the Principal Portion of the Amount Available in the amount of \$\_\_\_\_\_ and under the Bankruptcy-Related Interest Portion of the Amount Available of the Credit Facility in the amount of \$\_\_\_\_\_.

(5) Either (check applicable box):

(A) the amount of principal of Bonds that has been recovered from Bondholders is \$\_\_\_\_\_, and the amount of interest of Bonds that has been recovered is \$\_\_\_\_\_, and the total amount of the requested Advance referred to in paragraph (4) does not exceed such amount; or

(B) the amount of principal of the Bonds that is subject to the automatic stay is \$\_\_\_\_\_, and the amount of interest of Bonds that is subject to the automatic stay is \$\_\_\_\_\_, and the total amount of the requested Advance referred to in paragraph (4) does not exceed such amount;

(6) The amount of the requested Advance does not exceed the Principal Portion of the Amount Available or the Bankruptcy-Related Interest Portion Amount Available, respectively, on the date of this Certificate.

(7) In accordance with the Mortgage Loan Payment Amortization Schedule, the portion of the requested Advance representing principal on the Mortgage Note is \$\_\_\_\_\_, and the portion of the requested Advance representing interest on the Mortgage Note is \$\_\_\_\_\_.

(8) Upon receipt by the Trustee of the Advance requested by this Certificate, the Trustee will deposit the Advance into the Credit Facility Account of the Revenue Fund held under the Indenture and will apply the Advance solely for the purposes specified in the Indenture; no portion of such amount shall be applied by the Trustee for any purpose other than as specified in the Indenture.

(9) Payment of the Advance shall be made to the Trustee at [SPECIFY ACCOUNT].

(10) Upon payment in accordance with this Certificate, the Principal Portion of the Amount Available is reduced to \$\_\_\_\_\_ and the Bankruptcy-Related Interest Portion Amount Available is reduced to \$\_\_\_\_\_, subject to reinstatement in accordance with the Credit Facility.

The Trustee has executed and delivered this Certificate on \_\_\_\_\_.

\_\_\_\_\_, as Trustee

By: \_\_\_\_\_  
Authorized Officer



**EXHIBIT D**

**CERTIFICATE FOR PURCHASED BONDS ADVANCE**

Any capitalized term used but not defined  
in this Certificate shall have the meaning  
given that term in the Credit Facility.

The Trustee named below (the "Trustee"), by the undersigned, a duly Authorized Officer of the Trustee, certifies to Fannie Mae, with reference to the Fannie Mae Credit Enhancement Instrument (Stand-By) relating to Mortgage Loan No. \_\_\_\_\_ (the "Credit Facility"), that:

- (1) The Trustee is the Trustee under the Indenture.
- (2) A Remarketing Date under the Indenture has occurred and the Bonds have been tendered or deemed tendered for purchase and remarketing.
- (3) Either (check applicable box):
  - (A) one or more of the conditions set forth in Section 2.17(1)(3) of the Indenture has not been satisfied; or
  - (B) all conditions set forth in Section 2.17(1)(3) of the Indenture have been satisfied, but there are insufficient moneys available to the Trustee on the Remarketing Date to effect the remarketing of all of the Bonds on the Remarketing Date;
- (4) The Trustee was required to make payment for the tendered Bonds and would have funded such payment with the proceeds of the remarketing of the Bonds had the circumstances noted in paragraph (3) above not occurred.
- (5) The Trustee requests payment of a Purchased Bonds Advance (a) under the Principal Portion in the amount of \$\_\_\_\_\_ to be used to pay the purchase price of the Bonds, in amounts corresponding to the principal amount of such Bonds, and (b) under the Interest Portion in the amount of \$\_\_\_\_\_ to be used to pay the portion of the purchase price of the Bonds corresponding to accrued interest on the Bonds (to the Remarketing Date) purchased pursuant to the provisions of the Indenture; the total amount of the Advance requested (i.e. the sum of the amounts specified above) is \$\_\_\_\_\_. The Interest Portion for which payment is requested under clause (b) of the preceding sentence does not include interest for any period beyond the Remarketing Date.
- (6) The amount of the requested Advance (a) does not exceed the Amount Available for a Purchased Bonds Advance on the date of this Certificate under the Principal Portion or Interest Portion, respectively, of the Credit Facility and (b) was computed in accordance with the terms and conditions of the Bonds and the Indenture.
- (7) Upon receipt by the Trustee of the Advance requested by this Certificate (a) the Trustee will deposit the Advance into the Bond Purchase Fund under the Indenture and will apply the same directly for the purposes specified in the Indenture and (b) no portion of such amount shall be applied by the Trustee for any purpose other than as specified in the Indenture.
- (8) The proceeds of the Advance requested by this Certificate will not be applied to any payment on any Excluded Bond.
- (9) Bonds in a principal amount equal to the aggregate amount of the Principal Portion of the Advance made under this Certificate will be delivered to the Trustee for purchase or if, and only if, delivery of the Bonds is not possible, a written entitlement order will be delivered to the applicable financial intermediaries on whose records ownership of the Bonds is reflected directing the intermediaries to credit the security entitlement to the Bonds to the account of the Trustee or for the account of Fannie Mae if the Trustee has received written

instructions from Fannie Mae in accordance with the Indenture that Fannie Mae elects to purchase the Bonds; a written confirmation of such credit will be delivered to the Trustee or Fannie Mae, as applicable.

(10) Payment of the Advance shall be made to the Trustee at [SPECIFY ACCOUNT].

(11) Upon payment in accordance with this Certificate, the Amount Available to be requested by the Trustee under the Credit Facility in respect of the Principal Portion is reduced to \$\_\_\_\_\_ and the Amount Available to be requested by the Trustee in respect of the Interest Portion is reduced to \$\_\_\_\_\_, subject in each case to reinstatement in accordance with the Credit Facility.

The Trustee has executed and delivered this Certificate on \_\_\_\_\_.

\_\_\_\_\_, as Trustee

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT E**

**CERTIFICATE OF REDUCTION**

Any capitalized term used but not defined  
in this Certificate shall have the meaning  
given that term in the Credit Facility.

The Trustee named below (the "Trustee"), by the undersigned, a duly Authorized Officer of the Trustee, certifies to Fannie Mae, with reference to the Fannie Mae Credit Enhancement Instrument (Stand-By) relating to Mortgage Loan No. \_\_\_\_\_ (the "Credit Facility"), that:

(1) The Trustee is the Trustee under the Indenture.

(2) The aggregate principal amount of Bonds Outstanding has been reduced to \$\_\_\_\_\_.

(3) Effective on [INSERT DATE], the Amount Available under the Credit Facility shall be reduced by an amount equal to the sum of \$\_\_\_\_\_, representing (a) the amount of \$\_\_\_\_\_ with respect to the payment of the principal or that portion of the purchase price of Bonds applicable to the principal amount of the Bonds, and (b) the amount of \$\_\_\_\_\_ with respect to the payment of interest or that portion of the purchase price of Bonds applicable to accrued interest on the Bonds, all in accordance with the terms and conditions of the Indenture.

By its execution of this Certificate, the Trustee certifies to Fannie Mae that the Trustee is authorized to deliver this Certificate to Fannie Mae and that the amounts specified in paragraph (3) above have been determined in accordance with the terms and conditions of the Indenture.

The Trustee has executed and delivered this Certificate on \_\_\_\_\_.

\_\_\_\_\_, as Trustee

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT F**

**CERTIFICATE OF REINSTATEMENT**

Any capitalized term used but not defined in this Certificate shall have the meaning given that term in the Credit Facility.

The Trustee named below (the "Trustee"), by the undersigned, a duly Authorized Officer of the Trustee, certifies to Fannie Mae, with reference to the Fannie Mae Credit Enhancement Instrument (Stand-By) relating to Mortgage Loan No. \_\_\_\_\_ (the "Credit Facility"), that:

- (1) The Trustee is the Trustee under the Indenture.
- (2) If applicable, the Trustee has received notification that Bonds which had been purchased with the proceeds of a Purchased Bonds Advance under the Credit Facility pursuant to a Certificate in the form attached as Exhibit D to the Credit Facility are to be remarketed or sold.
- (3) The Trustee has received and is transferring to Fannie Mae an amount not less than the amount set forth in paragraph (4).
- (4) Upon receipt by Fannie Mae of this Certificate and \$\_\_\_\_\_, (a) the Principal Portion of the Amount Available under the Credit Facility shall be increased by \$\_\_\_\_\_, which amount which shall not increase the Principal Portion to an amount in excess of the original Principal Portion of the Amount Available, less any Advances for principal which have not been reinstated in accordance with the express terms of the Credit Facility and (b) the Interest Portion of the Amount Available under the Credit Facility shall be increased by \$\_\_\_\_\_, which amount which shall not increase the Interest Portion to an amount in excess of the original Interest Portion of the Amount Available less any Advances for interest which have not been reinstated in accordance with the express terms of the Credit Facility, subject to the right of Fannie Mae to reinstate such amounts as set forth in the Credit Facility.
- (5) Fannie Mae's release or direction to the custodian to release to the Trustee Purchased Bonds corresponding to the Principal Portion identified in paragraph (4) shall be conclusive evidence of the reinstatement of the Principal Portion and Interest Portion as described in paragraph (4) and shall qualify as written notice to the Trustee that the liquidity facility has been reinstated for the purposes of the Indenture.

The Trustee has executed and delivered this Certificate on \_\_\_\_\_.

\_\_\_\_\_, as Trustee

By: \_\_\_\_\_  
Authorized Officer

EXHIBIT G

CERTIFICATE FOR SUCCESSOR TRUSTEE

Fannie Mae  
3900 Wisconsin Avenue  
Washington, D.C. 20016

Attention: [\_\_\_\_\_]

Ladies and Gentlemen:

With reference to your Credit Enhancement Instrument (Stand-By) relating to Mortgage Loan No. \_\_\_\_\_ (the "Credit Facility"), we transfer all rights in the Credit Facility to \_\_\_\_\_, subject to the terms and conditions of the Credit Facility. We certify that the transferee is the successor Trustee under the Indenture referred to in the Credit Facility and such successor Trustee has been approved in writing by Fannie Mae. The transferee has acknowledged below that it is the successor Trustee.

By this transfer, all rights of the undersigned beneficiary in the Credit Facility are transferred to the transferee and the transferee shall have the sole rights as beneficiary of the Credit Facility, including sole rights relating to any amendments, whether increase or extensions or other amendments and whether now existing or made in the future. All amendments are to be advised direct to the transferee.

Dated: \_\_\_\_\_, \_\_\_\_\_, as Trustee

By: \_\_\_\_\_  
Authorized Officer

The above signature of an Authorized Officer or other authorized representative conforms to that on file with us. The Authorized Officer or other representative is authorized to sign for the Trustee.

By: \_\_\_\_\_  
Authorized Officer

\_\_\_\_\_ hereby acknowledges that it is the successor to \_\_\_\_\_ as Trustee under the Indenture.

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT H**  
**NOTICE OF CREDIT**

**[TRUSTEE]**

Ladies and Gentlemen:

Until further notice, you are authorized to deduct the amount of an Advance under Credit Enhancement Instrument (Stand-By) relating to Mortgage Loan No. \_\_\_\_\_ from the following Fannie Mae account maintained at your institution:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**FANNIE MAE**

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

**EXHIBIT I**  
**NOTICE OF TERMINATION**

Fannie Mae  
3900 Wisconsin Avenue  
Washington, D.C. 20016

Attention: [\_\_\_\_\_]

Re: Credit Enhancement Instrument (Stand-By) (the "Credit Facility") relating to Mortgage Loan No.  
\_\_\_\_\_

Gentlemen:

The undersigned, a duly Authorized Officer of the undersigned Trustee (the "Trustee"), certifies to Fannie Mae, with respect to the above-referenced Credit Facility, that the Trustee is authorized to file this notice pursuant to the Indenture. Any capitalized terms used by not defined in this Notice shall have the meaning given to that term in the Credit Facility.

The undersigned certifies to Fannie Mae that none of the Bonds are Outstanding under the Indenture other than, if applicable, Excluded Bonds.

Pursuant to the Indenture we are delivering the Credit Facility to you for cancellation.

Very truly yours,

\_\_\_\_\_, as Trustee

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Officer

**Mortgage Loan Payment Amortization Schedule**



## APPENDIX G

**APPENDIX G**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

**CONTINUING DISCLOSURE AGREEMENT**

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**Relating to:**

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

**\$9,800,000**

**MULTIFAMILY HOUSING REVENUE BONDS**

**(ASPEN PARK APARTMENTS) SERIES 2006**

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**Dated as of: November 1, 2006**

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THIS CONTINUING DISCLOSURE AGREEMENT (the "Agreement") is made and entered into as of the 1st day of November, 2006, between Regions Bank, as dissemination agent (the "Dissemination Agent") and Summit Aspen Park Apartments, Ltd. (the "Borrower").

### RECITALS

WHEREAS, Texas Department of Housing and Community Affairs (the "Issuer") has issued or will issue its Multifamily Housing Revenue Bonds (Aspen Park Apartments) Series 2006 in the original aggregate principal amount of \$9,800,000 (the "Bonds") pursuant to a Trust Indenture dated as of November 1, 2006 (the "Indenture") between the Issuer and Regions Bank, as trustee (the "Trustee") and has loaned or will loan the proceeds thereof to the Borrower pursuant to a Financing Agreement dated as of November 1, 2006 (the "Financing Agreement") among the Borrower, the Issuer and the Trustee for the purpose of financing costs of acquiring, rehabilitating and equipping a 256-unit multifamily housing facility in Houston, Texas (the "Mortgaged Property") and paying certain financing costs pertaining thereto, including costs of issuance of the Bonds; and

WHEREAS, the Bonds have been offered and sold pursuant to a final Official Statement dated November 3, 2006 (the "Offering Document"); and the Issuer has entered into a Bond Purchase Agreement, dated November 8, 2006 (the "Bond Purchase Agreement"), with respect to the sale of the Bonds, with the Borrower and the Participating Underwriter, as hereinafter defined; and

WHEREAS, the Dissemination Agent and the Borrower wish to provide for the disclosure of certain information concerning the Bonds, the Mortgaged Property and other matters on an on-going basis as set forth herein for the benefit of Bondholders (as hereinafter defined) in accordance with the provisions of Securities and Exchange Commission Rule 15c2-12, as amended from time to time (the "Rule");

NOW, THEREFORE, in consideration of the mutual promises and agreements made herein and in the Indenture and/or the Financing Agreement, the receipt and sufficiency of which consideration is hereby mutually acknowledged, the parties hereto agree as follows:

#### **Section 1. Definitions; Scope of this Agreement**

(A) All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Indenture and the Financing Agreement, as those agreements are amended and supplemented from time to time. Notwithstanding the foregoing, the term "Dissemination Agent" shall originally mean the Trustee, or any successor trustee under the Indenture; any such successor Dissemination Agent shall automatically succeed to the rights and duties of the Dissemination Agent hereunder, without any amendment hereto. The following capitalized terms shall have the following meanings:

"*Annual Financial Information*" shall mean a copy of the annual audited financial information prepared for the Borrower, which shall include, if prepared, a balance sheet, a statement of revenue and expenditure and a statement of changes in fund balances. All such financial information shall be prepared using generally accepted accounting principles; provided, however, that the Borrower may change the accounting principles used for preparation of such financial information so long as the Borrower includes as information provided to the public a statement to the effect that different accounting principles are being used, stating the reason for such change and how to compare the financial information provided by the differing financial accounting principles.

"*Annual Report*" means the annual report of Annual Financial Information and Operating Data to be provided by the Borrower.

"*Beneficial Owner*" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"*Bondholders*" shall mean any holder of the Bonds and any Beneficial Owner thereof.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board.

"*Material Event*" shall mean any of the events listed in items (i) through (xiii) below the occurrence of which the Borrower obtains knowledge, and which the Borrower determines would constitute material information for Bondholders, provided, that the occurrence of an event described in clauses (i), (iii), (iv), (v), (viii), (ix) and (xi) shall always be deemed to be material. The following events with respect to the Bonds, if material, shall constitute Material Events:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders;
- (viii) Bond calls, except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event;
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the securities;
- (xi) Rating changes;
- (xii) The cure, in the manner provided under the Indenture, of any payment or nonpayment related default under the Indenture; and
- (xiii) The issuance of any Additional Bonds or other indebtedness on a parity with the Bonds.

The SEC requires the listing of (i) through (xi) although some of such events may not be applicable to the Bonds.

"*NRMSIR*" shall mean any nationally recognized municipal securities information repository, as such term is used in the Release. A list of the NRMSIRs recognized as of the date of this Agreement is attached hereto as Exhibit A.

"*Operating Data*" shall mean the average occupancy rates and average monthly rental rates for the Mortgaged Property for the prior fiscal year and the current Mortgaged Property occupancy rates and average rental rates.

"*Participating Underwriter*" shall mean Merchant Capital, L.L.C., as Underwriter for the Bonds, required to comply with the Rule in connection with the offering of the Bonds.

"*Release*" shall mean Securities and Exchange Commission Release No. 34-34961.

"*SEC*" shall mean the Securities and Exchange Commission.

"SID" shall mean the state information depository ("SID"), as such term is used in the Release, if and when a SID is created for the State, and which, as of the date hereof, is the Texas Municipal Advisory Council.

"State" shall mean the State of Texas.

"Turn Around Period" shall mean (i) five (5) business days, with respect to Annual Financial Information and Operating Data delivered by the Borrower to the Dissemination Agent; or (ii) two (2) business days with respect to Material Event occurrences disclosed by the Borrower to the Dissemination Agent or with respect to the failure, on the part of the Borrower, to deliver Annual Financial Information and Operating Data to the Dissemination Agent which period commences upon notification by the Borrower of such failure or upon the Dissemination Agent's actual knowledge of such failure.

(B) This Agreement applies to the Bonds.

(C) The Dissemination Agent shall have no obligation to make disclosure about the Bonds or the Mortgaged Property except as expressly provided herein; provided that nothing herein shall limit the duties or obligations of the Dissemination Agent, as Trustee, under the Indenture or the duties of the Borrower under the Financing Agreement. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Borrower, apart from the relationship created by the Indenture or the Financing Agreement, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except in its capacity as Trustee under the Indenture or except as may be provided by written notice from the Borrower. Nothing in this Agreement shall be construed to mean that the Dissemination Agent is an "obligated person" under the Rule.

## **Section 2. Disclosure of Information.**

(A) General Provisions.

This Agreement governs the Borrower's direction to the Dissemination Agent with respect to information to be made public. In its actions under this Agreement, the Dissemination Agent is acting not as Trustee but as the Borrower's agent; provided that the Dissemination Agent shall be entitled to the same protection in so acting under this Agreement as it has in acting as Trustee under the Indenture. The Borrower and the Dissemination Agent acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Agreement, and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures.

(B) Information Provided to the Public.

Except to the extent this Agreement is modified or otherwise altered in accordance with Section 3 hereof, the Borrower shall make or cause to be made public the information set forth in subsections (1), (2) and (3) below:

(1) Annual Financial Information and Operating Data.

Annual Financial Information and Operating Data at least annually not later than 150 days after the end of each fiscal year of the Borrower beginning with fiscal year ending December 31, 2006 and continuing with each fiscal year thereafter, for which the information is provided taking into account the Turn Around Period and, in addition, all information with respect to the Bonds required to be disseminated by the Trustee pursuant to the Indenture.

(2) Material Events Notices. Notice of the occurrence of a Material Event.

(3) Failure to Provide Annual Financial Information or Operating Data.

Notice of the failure of Borrower to provide the Annual Financial Information or Operating Data by the date required herein.

(C) Information Provided by Dissemination Agent to Public.

(1) The Borrower directs the Dissemination Agent on its behalf to make public in accordance with subsection (D) of this Section 2 and within the time frame set forth in clause (3) below, and the Dissemination Agent agrees to act as the Borrower's agent in so making public, the following:

- (a) the Annual Financial Information and Operating Data;
- (b) Material Event occurrences;
- (c) the notices of failure to provide information which the Borrower has agreed to make public pursuant to subsection (B)(3) of this Section 2;
- (d) such other information as the Borrower shall determine to make public through the Dissemination Agent at the Borrower's additional expense and shall provide to the Dissemination Agent in the form required by subsection (C)(2) of this Section 2. If the Borrower chooses to include any information in any Annual Financial Information or Operating Data report or in any notice of occurrence of a Material Event, in addition to that which is specifically required by this Agreement, the Borrower shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Information or Operating Data report or notice of occurrence of a Material Event; and

(2) The information which the Borrower has agreed to make public shall be in the following form:

- (a) as to all notices, reports and financial statements, if any, to be provided to the Dissemination Agent by the Borrower, in the form required by the Indenture or the Financing Agreement or other applicable document or agreement; and
- (b) as to all other notices or reports, in such form as the Dissemination Agent shall deem suitable for the purpose of which such notice or report is given.

(3) The Dissemination Agent shall make public the Annual Financial Information, the Operating Data, the Material Event occurrences and notice of the failure to provide the Annual Financial Information and Operating Data within the applicable Turn Around Period. Notice of the failure to provide the Annual Financial Information and/or Operating Data shall be in substantially the form of Exhibit B hereto. Notwithstanding the foregoing, Annual Financial Information, Operating Data and notice of Material Events shall be made public on the same day as notice thereof is given to the Bondholders of outstanding Bonds, if required in the Indenture, and shall not be made public before the date of such notice. If on any such date, information required to be provided by the Borrower to the Dissemination Agent has not been provided on a timely basis, the Dissemination Agent shall make such information public as soon thereafter as it is provided to the Dissemination Agent.

(D) Means of Making Information Public.

(2) Information shall be deemed to be made public by the Borrower or the Dissemination Agent under this Agreement if it is transmitted as provided in subsection (D)(2) of this Section 2 by the following means:

(a) to the Bondholders of outstanding Bonds, by the method prescribed by the Indenture;

(b) to each NRMSIR, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Borrower or the Dissemination Agent is authorized to transmit information to a NRMSIR by whatever means are mutually acceptable to the Dissemination Agent or the Borrower, as applicable, and the NRMSIR;

(c) to the SID (if a SID is established for the State), by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Borrower or the Dissemination Agent is authorized to transmit information to a SID by whatever means are mutually acceptable to the Dissemination Agent or the Borrower, as applicable, and the SID;

(d) to the MSRB, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Borrower or the Dissemination Agent is authorized to transmit information to a MSRB by whatever means are mutually acceptable to the Dissemination Agent or the Borrower, as applicable, and the MSRB; and/or

(e) to the SEC, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Borrower or the Dissemination Agent is authorized to transmit information to a SEC by whatever means are mutually acceptable to the Dissemination Agent or the Borrower, as applicable, and the SEC.

(3) Information shall be transmitted to the following:

(a) all Annual Financial Information and Operating Data shall be made available to each NRMSIR and to the SID (if a SID is established for the State);

(b) notice of all Material Event occurrences and all notices of the failure to provide Annual Financial Information or Operating Data within the time specified in Section 2(B)(1) hereof shall be made available to each NRMSIR or the MSRB and to the SID (if a SID is established for the State); and

(c) to the extent any Annual Financial Information or Operating Data is included in a document filed with each NRMSIR and SID (if a SID is established for the State) or the SEC, the Borrower shall have been deemed to have provided that information if a statement specifically referencing the filed document is filed with each NRMSIR and SID (if a SID is established for the State) as part of the Borrower's obligation to file Annual Financial Information and Operating Data pursuant to this Agreement. Additionally, if the referenced document is a final official statement (as that term is defined in Rule 15c2-12(f)(3)), it must be available from the MSRB.

Information may be made public pursuant to this Agreement solely by the transmitting of such information to DisclosureUSA at <http://www.disclosureusa.org/>, currently operated by the Texas Municipal Advisory Council (the "Texas MAC"), unless the United States Securities and Exchange Commission has withdrawn the interpretive advice of its letter to the Texas MAC dated September 7, 2004.

Nothing in this subsection shall be construed to relieve the Dissemination Agent, as Trustee, of its obligation to provide notices to the holders of all Bonds if such notice is required by the Indenture.



With respect to requests for periodic or occurrence information from Bondholders, the Dissemination Agent may require payment by requesting of holders a reasonable charge for duplication and transmission of the information and for the Dissemination Agent's administrative expenses incurred in providing the information.

Nothing in this Agreement shall be construed to require the Dissemination Agent to interpret or provide an opinion concerning the information made public. If the Dissemination Agent receives a request for an interpretation or opinion, the Dissemination Agent may refer such request to the Borrower for response.

(E) Dissemination Agent Compensation.

The Borrower shall pay or reimburse the Dissemination Agent for its fees and expenses for the Dissemination Agent's services rendered in accordance with this Agreement as provided in the Financing Agreement.

(F) Indemnification of Dissemination Agent.

In addition to any and all rights of the Dissemination Agent or the Issuer to reimbursement, indemnification and other rights pursuant to the Indenture or the Financing Agreement or under law or equity, the Borrower shall indemnify and hold harmless the Dissemination Agent and the Issuer and their respective officers, directors, employees and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including attorney fees) which such indemnified party may incur by reason of or in connection with the Dissemination Agent's performance under this Agreement; provided that the Borrower shall not be required to indemnify the Dissemination Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Dissemination Agent in such disclosure of information hereunder. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**Section 3. Amendment or Waiver.**

Notwithstanding any other provision of this Agreement, the Borrower and the Dissemination Agent may amend this Agreement (and the Dissemination Agent shall agree to any reasonable amendment requested by the Borrower) and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel or counsel expert in federal securities laws acceptable to both the Borrower and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule as well as any change in circumstance.

**Section 4. Miscellaneous.**

(A) Representations.

Each of the parties hereto represents and warrants to each other party that it has (i) duly authorized the execution and delivery of this Agreement by the officer of such party whose signature appears on the execution pages hereto, (ii) that it has all requisite power and authority to execute, deliver and perform this Agreement under its organizational documents and any corporate resolutions now in effect, (iii) that the execution and delivery of this Agreement, and performance of the terms hereof, does not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument by which such party is bound, and (iv) such party is not aware of any litigation or proceeding pending, or, to the best of such party's knowledge, threatened, contesting or questioning its existence, or its power and authority to enter into this Agreement, or its due authorization, execution and delivery of this Agreement, or otherwise contesting or questioning the issuance of the Bonds.

(B) Governing Law.

This Agreement shall be governed by and interpreted in accordance with the laws of the State; provided that, to the extent that the SEC, the MSRB or any other federal or state agency or regulatory body with jurisdiction over the Bonds shall have promulgated any rule or regulation governing the subject matter hereof, this Agreement shall be interpreted and construed in a manner consistent therewith.

(C) Severability.

If any provision hereof shall be held invalid or unenforceable by a court of competent jurisdiction, the remaining provisions hereof shall survive and continue in full force and effect.

(D) Counterparts.

This Agreement may be executed in one or more counterparts, each and all of which shall constitute one and the same instrument.

(E) Termination.

This Agreement may be terminated by any party to this Agreement upon thirty days' written notice of termination delivered to the other party or parties to this Agreement; provided the termination of this Agreement is not effective until (i) the Borrower, or its successor, enters into a new continuing disclosure agreement with a Dissemination Agent who agrees to continue to provide, to each NRMSIR, SID and/or MSRB and the Bondholders of the Bonds, all information required to be communicated pursuant to the rules promulgated by the SEC or the MSRB, (ii) nationally recognized bond counsel or counsel expert in federal securities law provides an opinion that the new continuing disclosure agreement is in compliance with all State and Federal Securities laws and (iii) notice of the termination of this Agreement is provided to each NRMSIR, the appropriate SID, if any, and/or MSRB.

This Agreement shall terminate when all of the Bonds are or are deemed to be no longer outstanding by reason of redemption or legal defeasance or at maturity.

(F) Defaults: Remedies.

A party shall be in default of its obligations hereunder if it fails to carry out or perform its obligations hereunder.

If an event of default occurs and continues beyond a period of thirty (30) days following notice of default given in writing to such defaulting party by any other party hereto or by a beneficiary hereof as identified in Section 4(G), the non-defaulting party or any such beneficiary may (and, at the request of the Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, the non-defaulting party shall), enforce the obligations of the defaulting party under this Agreement; provided, however, the sole remedy available in any proceeding to enforce this Agreement shall be an action in mandamus, for specific performance or similar remedy to compel performance.

The occurrence of any event of default as provided in this Agreement shall not constitute an event of default under the Indenture or the Financing Agreement.

(G) Beneficiaries.

This Agreement is entered into by the parties hereof and shall inure solely to the benefit of the Issuer, the Borrower, the Trustee, the Dissemination Agent, the Participating Underwriter and Bondholders, and shall create no rights in any other person or entity.

**Section 5. Additional Disclosure Obligations.**

The Borrower acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, the Securities Exchange Act of 1934 and Rule 10b 5 promulgated thereunder, may apply to the Borrower, and that under some circumstances compliance with this Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Borrower under such laws.

**Section 6. Notices.**

Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Borrower: Summit Aspen Park Apartments, Ltd.  
105 Tallapoosa Street, Suite 300  
Montgomery, Alabama 36104  
Attention: Jonathan D. Killough  
Telephone/Fax: (334) 954-4458/(334) 954-4496

To the Dissemination Agent: Regions Bank  
417 North 20<sup>th</sup> Street, Suite 1420  
Birmingham, Alabama 35203  
Attention: Corporate Trust Department  
Telephone/Fax: (205) 326-7831/(205) 326-7863

and

Regions Bank  
4400 Post Oak Parkway, Suite 2670  
Houston, Texas 77027  
Attention: Corporate Trust Department  
Telephone/Fax: (713) 840-3629/(713) 840-3654

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Dissemination Agent and the Borrower have each caused their duly authorized officers to execute this Agreement, as of the day and year first above written.

**SUMMIT ASPEN PARK APARTMENTS, LTD.**, an  
Alabama limited partnership

By: SUMMIT AMERICA PROPERTIES XXX, INC.,  
an Alabama corporation, General Partner

By: \_\_\_\_\_  
Name: Jonathan D. Killough  
Its: Vice President

**REGIONS BANK,**  
Dissemination Agent

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

EXHIBIT A

AS OF THE DATE OF THIS AGREEMENT, THE NRMSIRS ARE:

Bloomberg Municipal Repository  
100 Business Park Drive  
Skillman, NJ 085458  
Phone: (609) 279-3225  
Fax: (609) 279-5962  
Email: <mailto:munis@bloomberg.com>  
Website: <http://www.bloomberg.com/>

DPC Data Inc.  
One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
Email: <mailto:nrmsir@dpdata.com>

FT Interactive Data  
Attn: NRMSIR  
100 Williams Street  
New York, NY 10038  
Phone: (212) 771-6899  
Fax: (212) 771-7390  
Email: <mailto:NRMSIR@FTID.com>  
Website: <http://www.interactivedata.com/>

Standard & Poor's Securities Evaluations, Inc.  
55 Water Street – 45th Floor  
New York, NY 10041  
Phone: (212) 438-4595  
Fax: (212) 797-3975  
Email: [mailto:nrmsir\\_repository@Sandp.com](mailto:nrmsir_repository@Sandp.com)  
Website: <http://www.jjkenny.com/>

A list of the names and addresses of each NRMSIR and SID (if any) as of any date may currently be obtained by calling the SEC's Fax on Demand Service from a fax machine phone line at 202/942-8088 and requesting document numbers 0206 and 0207, respectively, or by visiting the SEC's website at "<http://www.sec.gov/>" and accessing the municipal securities section of the homepage selection captioned "Investor Assistance and Complaints," or directly at "<http://www.sec.gov/info/municipal/nrmsir.htm>."

**EXHIBIT B**

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF  
FAILURE TO FILE ANNUAL FINANCIAL INFORMATION/OPERATING DATA**

Name of Issuer: Texas Department of Housing and Community Affairs  
Name of Bond Issue: \$9,800,000 principal amount of the Issuer's Multifamily Housing Revenue Bonds (Aspen Park Apartments) Series 2006  
Name of Borrower: Summit Aspen Park Apartments, Ltd., an Alabama limited partnership  
Date of Issuance: November 9, 2006

NOTICE IS HEREBY GIVEN that the above-captioned borrower (the "Borrower") has not provided the **[Annual Financial Information] [and] [the Operating Data]** with respect to Aspen Park Apartments in connection with the above-named bonds (the "Bonds") as required by a Continuing Disclosure Agreement dated as of November 1, 2006 (the "Continuing Disclosure Agreement"), between the Borrower and the undersigned. The Borrower anticipates that the **[Annual Financial Information] [and] [the Operating Data]** will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

**REGIONS BANK**

By: \_\_\_\_\_  
as Dissemination Agent on Behalf of Borrower

cc: Borrower

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## APPENDIX H



## APPENDIX H

### SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

*The following statements are a brief summary of certain provisions of the Reimbursement Agreement. The summary does not purport to be complete, and reference is made to the Reimbursement Agreement for a full and complete statement of the provisions thereof. In addition, Fannie Mae shall have the right without the consent of, or notice to, the Trustee, the Issuer or the Bondholders, to amend, modify, change, add to or delete any of the provisions of the Reimbursement Agreement. Capitalized terms used in this Exhibit and not otherwise defined will have the meanings given them in the Reimbursement Agreement.*

The Credit Facility is issued pursuant to the Reimbursement Agreement. The Reimbursement Agreement obligates the Borrower, among other things, to reimburse Fannie Mae for funds advanced by Fannie Mae under the Credit Facility and to pay various fees and expenses. The Reimbursement Agreement sets forth various affirmative and negative covenants of the Borrower, some of which are more restrictive with respect to the Borrower than similar covenants contained in the Financing Agreement. The Reimbursement Agreement also includes various Events of Default, including, but not limited to, payment defaults, covenant defaults and cross-defaults to other documents, including in some cases other indebtedness.

Upon the occurrence of an Event of Default under the Reimbursement Agreement, Fannie Mae may, among other things, accelerate the Bonds, subject the Bonds to mandatory purchase and/or exercise any other rights or remedies available under any Transaction Document or take any other action, whether at law or in equity, without notice or demand, as it deems advisable to protect and enforce its rights.

Fannie Mae shall have the right, in its sole discretion, to amend, modify, change, add to or delete any provisions of the Reimbursement Agreement, including, but not limited to, adding cross-defaults to any other documents and agreements, without receiving the consent of, or providing notice to, the Trustee, the Issuer or the Bondholders. Fannie Mae shall also have the right, in its sole discretion, to waive any Event of Default under any Transaction Document. Unless such waiver expressly provides to the contrary, any waiver so granted shall extend only to the specific event or occurrence which gave rise to the Event of Default so waived and not to any other similar event or occurrence which occurs subsequent to the date of such waiver.