NEW ISSUE – REFUNDING
BOOK ENTRY ONLY

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

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, except during any period while a Bond is held by a "substantial user" of the facilities financed by the Bonds or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986. It should be noted, however, that such interest is an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is, under existing law, exempt from personal income taxation imposed by the State of California. See "TAX EXEMPTION" herein.

**$9,920,000**

# ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
# VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE REFUNDING BONDS
# (ACTON COURTYARD APARTMENTS PROJECT)
# 2010 Series A

Dated: Delivery Date | Price: 100% | CUSIP: 00037N NP7 | Maturity Date: April 1, 2037

ABAG Finance Authority for Nonprofit Corporations (the "Issuer"), a joint exercise of powers agency duly organized and existing under the laws of the State of California (the "State"), has agreed to issue its Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Acton Courtyard Apartments Project) 2010 Series A in the original aggregate principal amount of $9,920,000 (the "Bonds"). The Bonds will bear interest at a Variable Rate of interest until the first Reset Date or the first day of any Fixed Rate Period, all as described herein. The Bonds will be issued as fully registered bonds without coupons, in the minimum denomination of $100,000 and any integral multiple of $5,000 in excess thereof during any Variable Period. The Bonds are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). The principal of, premium, if any, and interest on the Bonds are payable by Wells Fargo Bank, National Association (the "Trustee"), by wire transfer directly to DTC, which will in turn remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds. Interest on the Bonds will be payable on the first business day of each month, commencing April 1, 2010 (in each case, an "Interest Payment Date").

The Bonds will be secured pursuant to the Trust Indenture, dated as of March 1, 2010 (the "Indenture"), by and between the Issuer and the Trustee. Simultaneously with the issuance of the Bonds, the Issuer will enter into a Financing Agreement, dated as of March 1, 2010 (the "Financing Agreement"), with the Trustee and EQR-Acton Berkeley Limited Partnership, a Delaware limited partnership (the "Borrower"), to provide funds to the Borrower for the purpose of refunding the entire $9,920,000 in outstanding principal amount of the Issuer's Variable Rate Demand Multifamily Housing Revenue Bonds (Acton Courtyard Apartments, LLC Project) 2002 Series A, the proceeds of which were issued for the purpose of providing a portion of the permanent financing for the acquisition, construction and equipping of a mixed use building featuring ground floor retail space and a total of 71 rental housing units, including 15 units for persons of very low income, located in Berkeley, California and further described herein (the "Project").

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

FREDDIE MAC

which is a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States ("Freddie Mac"). The Credit Enhancement Agreement will terminate on August 6, 2029 or upon the earlier redemption (or purchase in lieu thereof) of the Bonds or upon substitution of an Alternate Credit Facility under the Indenture. See "APPENDIX B – Form of Credit Enhancement Agreement" herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The Bonds will be subject to mandatory purchase by the Trustee on any date on which an Alternate Credit Facility is to be exchanged for the Credit Enhancement Agreement then in effect, if the conditions to such substitution are satisfied.

This Official Statement only describes the Bonds for so long as they bear interest at a Variable Rate and should not be referred to or used when the Bonds bear interest at a Reset Rate or a Fixed Rate.

The Bonds will be subject to redemption and tender prior to their stated maturity date at the price, on the terms and upon the occurrence of the events described herein. The maturity of the Bonds may be accelerated upon the occurrence of certain events as further described herein. See "SUMMARY OF THE INDENTURE – "Events of Default" and "- Acceleration; Remedies" and "THE BONDS."

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM AND SECURED BY THE REVENUES PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NONE OF THE ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG") OR THE MEMBERS OF THE ISSUER OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE ISSUER, ABAG OR ANY OF THEIR MEMBERS TO PAY ALL OR ANY PORTION OF DEBT SERVICE DUE ON THE BONDS. THE BONDS AND THE OBLIGATION TO PAY PRINCIPAL OF AND INTEREST THEREON AND ANY REDEMPTION PREMIUM WITH RESPECT THERETO, DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE ISSUER OR ABAG, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF ANY OF THEM, BUT SHALL BE PAYABLE SOLELY FROM THE REMEDIES DESCRIBED HEREIN. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO PAY ANY PRINCIPAL OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS. NEITHER THE ISSUER NOR ABAG HAS ANY TAXING POWER.

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

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

The Bonds are offered when, as and if issued by the Issuer and received by J.P. Morgan Securities Inc. (the "Underwriter"), subject to the prior sale, withdrawal or modification of the offer without notice and subject to the approval of validity by Jones Hall, A Professional Law Corporation, San Francisco, California,

THIS OFFICIAL STATEMENT IS INTENDED FOR USE WITH RESPECT TO THE BONDS ONLY DURING THE VARIABLE PERIOD, WHICH IS THE PERIOD BEGINNING ON THE DATE OF ORIGINAL ISSUANCE OF THE BONDS AND ENDING ON THE DATE, IF ANY, ON WHICH THE INTEREST RATE ON THE BONDS IS ADJUSTED TO A RESET RATE OR CONVERTED TO THE FIXED RATE.

Bond Counsel. Certain legal matters will be passed on for the Issuer by its special counsel, Chapman and Cutler LLP, San Francisco, California, for Freddie Mac by its Legal Department and its special counsel Ballard Spahr LLP, Washington, D.C., for the Borrower by its counsel, Greenberg Traurig, LLP, Philadelphia, Pennsylvania and for the Underwriter, by its counsel, Kutak Rock LLP, Omaha, Nebraska. It is expected that delivery of the Bonds in book-entry form will be made through DTC in New York, New York against payment therefor on or about March 1, 2010.

**J.P. MORGAN**

The date of this Official Statement is February 23, 2010

No broker, dealer, salesman 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 the Issuer, the Borrower or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

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

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

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$9,920,000
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE REFUNDING BONDS
(ACTON COURTYARD APARTMENTS PROJECT)
2010 SERIES A

## INTRODUCTION

The following is a summary of certain information contained in this Official Statement, to which reference should be made for a complete statement thereof. The Bonds are offered to potential investors only by means of the entire Official Statement, including the cover page, this introductory statement and the appendices hereto. Capitalized terms used but not defined herein shall have the meanings ascribed to them as set forth under Appendix A.

### General

ABAG Finance Authority for Nonprofit Corporations (the "Issuer"), pursuant to Chapter 5 of Division 7 of Title 1 of the California Government Code, in accordance with Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code, as such provisions may hereafter be amended (the "Act") and a Resolution of the Issuer, adopted on February 17, 2010 (the "Resolution"), has agreed to issue its Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Acton Courtyard Apartments Project) 2010 Series A in the original aggregate principal amount of $9,920,000 (the "Bonds") pursuant to the terms of a Trust Indenture, dated as of March 1, 2010 (the "Indenture"), between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee").

Simultaneously with the issuance of the Bonds, the Issuer will enter into a Financing Agreement, dated as of March 1, 2010 (the "Financing Agreement"), with the Trustee and EQR-Acton Berkeley Limited Partnership, a Delaware limited partnership (the "Borrower"), to provide funds (the "Bond Mortgage Loan") to the Borrower for the purpose of refunding the entire $9,920,000 in outstanding principal amount of the Issuer's Variable Rate Demand Multifamily Housing Revenue Bonds (Acton Courtyard Apartments, LLC Project) 2002 Series A (the "Prior Bonds"), which were issued for the purpose of providing a portion of the permanent financing for the acquisition, construction and equipping of a mixed use building featuring ground floor retail space and a total of 71 rental housing units, including 15 units for persons of very low income, located in Berkeley, California and further described herein (the "Project").

### Security for the Bonds

The Bonds will be secured primarily by the right to receive certain payments pursuant to a direct pay Credit Enhancement Agreement, dated as of March 1, 2010 (the "Credit Enhancement Agreement"), by and between the Trustee and the Federal Home Loan Mortgage Corporation ("Freddie Mac"), as described below and from any other revenues pledged under the Indenture. The Credit Enhancement Agreement provides permanent credit enhancement for the Bond Mortgage Loan and liquidity support for the Bonds. The Credit Enhancement Agreement does not guaranty the Bond Fee Component. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein. See also "Appendix B – Form of Credit Enhancement Agreement" herein.

On the date of issuance of the Bonds, the Borrower will cause Freddie Mac to deliver the Credit Enhancement Agreement to the Trustee. The Credit Enhancement Agreement is scheduled to expire August 6, 2029, or earlier under certain conditions, and may be replaced at or prior to termination in accordance with the Indenture. The scheduled expiration date of the Credit Enhancement Agreement is

expected to occur prior to the maturity date of the Bonds. The Credit Enhancement Agreement will provide (i) draws in an amount equal to the principal and interest payments due and owing under the Bond Mortgage Loan (generally, the "Guaranteed Payments"), and (ii) liquidity draws by the Trustee as necessary to pay the Purchase Price on Bonds in the event of a demand or tender of Bonds.

The Borrower has agreed with Freddie Mac to execute and deliver a Reimbursement and Security Agreement, dated as of March 1, 2010 (the "Reimbursement Agreement"), by and between Freddie Mac and the Borrower, in consideration of Freddie Mac's entering into the Credit Enhancement Agreement, and to reimburse Freddie Mac for payments made under the Credit Enhancement Agreement. As security for the reimbursement obligations of the Borrower to Freddie Mac, the Borrower will grant, among other things, a second lien mortgage and security interest in the Project, as well as certain other Projects, pursuant to a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of March 1, 2010 (the "Reimbursement Mortgage") from the Borrower to Freddie Mac, and Freddie Mac will have certain rights with respect to the Bond Mortgage (which grants a security interest in the Project to the Trustee). See "SUMMARY OF CERTAIN PROVISIONS OF THE INTERCREDITOR AGREEMENT" and see also, "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT – Cross Default".

The Bond Mortgage Loan is secured by a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of March 1, 2010 (the "Bond Mortgage"), from the Borrower to the Trustee.

The Borrower is required to operate the Project in compliance with that certain Amended and Restated Regulatory Agreement and Declaration of Restrictive Covenants dated as of March 1, 2010 among the Issuer, the Trustee and the Borrower (the "Tax Regulatory Agreement"). The Tax Regulatory Agreement contains certain representations, warranties and covenants of the Borrower concerning the operation of the Project, including the requirement that the Project be operated as a residential rental project with at least 20% of the residential units in the Project occupied by Very Low Income Tenants (as defined herein) during the Qualified Project Period (as defined in the Tax Regulatory Agreement). A failure to comply with the requirements could result in the interest on the Bonds being required to be included in gross income for purposes of federal income taxation retroactively to their date of issuance. See "TAX EXEMPTION" and "SUMMARY OF THE TAX REGULATORY AGREEMENT" herein.

J.P. Morgan Securities Inc. in its capacity as remarketing agent for the Bonds (the "Remarketing Agent") has been appointed by the Borrower to serve as Remarketing Agent for the Bonds under the terms of a Remarketing Agreement, dated as of March 1, 2010 (the "Remarketing Agreement"). Wells Fargo Bank, National Association (the "Tender Agent") will perform certain services in connection with the purchase of tendered Bonds.

**Cross Default**

Affiliates of the Borrower and several of its partners have financed, and may finance in the future, other multifamily projects (the "Other Bond Projects") through bonds that have been or will be issued by issuers other than the Issuer and secured by credit enhancement agreements and reimbursement agreements with Freddie Mac, substantially similar to the Credit Enhancement Agreement, the Reimbursement Agreement, deeds of trust, deeds to secure debt or mortgages (each, a "Mortgage") and mortgage notes substantially similar to the Bond Mortgage and Bond Mortgage Note. Pursuant to a Cross-Collateralization Agreement (the "Cross-Collateralization Agreement") among Freddie Mac and the Borrower, a default under the other reimbursement agreements or the Cross-Collateralization Agreement will, at Freddie Mac's option, be a default under the Reimbursement Agreement and, consequently, result in an Event of Default under the Reimbursement Mortgage whether or not the Bonds

and the Bond Mortgage Loan related to the Project are in default. Upon the occurrence of an Event of Default under the Reimbursement Agreement, Freddie Mac has the right to direct the Trustee to call the Bonds for mandatory redemption or purchase in lieu thereof. See "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT – Cross Default" and "THE BONDS – Mandatory Redemption" herein.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM AND SECURED BY THE REVENUES PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NONE OF THE ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG") OR THE MEMBERS OF THE ISSUER OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE ISSUER, ABAG OR ANY OF THEIR MEMBERS TO PAY ALL OR ANY PORTION OF DEBT SERVICE DUE ON THE BONDS. THE BONDS AND THE OBLIGATION TO PAY PRINCIPAL OF AND INTEREST THEREON AND ANY REDEMPTION PREMIUM WITH RESPECT THERETO, DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE ISSUER OR ABAG, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF ANY OF THEM, BUT SHALL BE PAYABLE SOLELY FROM THE REMEDIES DESCRIBED HEREIN. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO PAY ANY PRINCIPAL OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS. NEITHER THE ISSUER NOR ABAG HAS ANY TAXING POWER.

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

**Additional Information**

Brief descriptions of the Issuer, the Bonds, the security for the Bonds, the Borrower, the Project, the Indenture, the Financing Agreement, the Tax Regulatory Agreement, the Reimbursement Agreement, the Intercreditor Agreement, the Bond Mortgage Loan and the Bond Mortgage are included in this Official Statement. All references in this Official Statement to the Indenture, the Financing Agreement, the Tax Regulatory Agreement, the Credit Enhancement Agreement, the Reimbursement Agreement, the Intercreditor Agreement, the Bond Mortgage and other documents and agreements are qualified in their entirety by reference to such documents and agreements, copies of which are available for inspection at the offices of the Trustee. A copy of the Credit Enhancement Agreement in the form to be delivered to the Trustee is attached hereto as Appendix B.

## THE ISSUER

The Issuer is a joint powers authority duly organized and existing under the provisions of Chapter 5 of Division 7 (commencing with Section 6500) of the Government Code of the State of California (the "Act") and a Joint Powers Agreement, dated as of April 1, 1990, as amended as of September 18, 1990 and June 9, 1992, in order to assist nonprofit corporations and other entities to obtain financing for projects located within the several jurisdictions of Issuer members with purposes serving the public interest and is authorized to issue revenue bonds to finance construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of facilities operated by nonprofit corporations.

## THE BONDS

### General

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

So long as Cede & Co. is the registered owner of the Bonds, principal, premium, if any, and interest on the Bonds are payable by the Trustee by wire transfer in same day funds, to Cede & Co., as nominee for DTC. DTC will, in turn, remit such amounts to the DTC Participants (as defined in this Official Statement) for subsequent disbursement to the beneficial owners. See "The Bonds - Book-Entry Only System" herein.

The Bonds are dated the date of delivery thereof and mature on April 1, 2037, subject to earlier redemption as described herein. The Bonds are issuable as fully registered bonds in Authorized Denominations of (i) $100,000 or integral multiples of $5,000 in excess of $100,000 during any period the Bonds bear interest at a rate determined weekly (the "Variable Rate"), and (ii) $5,000 or integral multiples thereof during any Reset Period or Fixed Rate Period.

The Borrower is permitted to provide an Alternate Credit Facility as a substitute for the Credit Enhancement Agreement, all in accordance with the provisions of the Indenture. The Bonds are subject to mandatory purchase by the Trustee on any date on which an Alternate Credit Facility is to be exchanged for the Credit Enhancement Agreement then in effect if the conditions to such substitutions are satisfied. See "The Bonds - Mandatory Tender of the Bonds on Substitution Date" herein.

From the date of issuance of the Bonds to, but excluding, the earlier of (a) the date of adjustment to a Reset Rate (a "Reset Adjustment Date") or the Fixed Rate (a "Fixed Rate Adjustment Date") or (b) the maturity date specified above, the Bonds shall bear interest at the Variable Rate determined by the Remarketing Agent, as provided in the Indenture, for seven-day periods specified in the Indenture; provided that in no event shall such rate exceed the Maximum Rate of interest (12%) which may be charged pursuant to the terms of the Indenture. Interest on the Bonds during the Variable Period shall be computed on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed. Bonds purchased with proceeds made available under the Credit Facility shall bear interest at the rate established pursuant to the Reimbursement Agreement, provided that in no event shall such rate exceed the Maximum Rate of interest which may be charged pursuant to the terms of the Indenture.

Payment of principal of and premium, if any, on the Bonds shall be made upon presentation and surrender of the Bonds at the Principal Office of the Trustee. Interest on the Bonds shall be paid by check mailed to the registered Owner thereof at such registered Owner's address as it appears on the Bond Register on the Record Date. Upon written request of a registered Owner of at least $1,000,000 in principal amount of Bonds Outstanding received by the Trustee at least five (5) Business Days prior to a Record Date, all payments of principal, premium, if any, and interest on the Bonds, less any reasonable wire transfer fees imposed by the Trustee, shall be made by wire transfer in immediately available funds to an account within the United States designated by such registered Owner.

Any Bond may be transferred only upon an assignment duly executed by the registered Owner or such registered Owner's duly authorized representative in such form as shall be satisfactory to the Bond Registrar and upon surrender of such Bond to the Trustee for cancellation. Any Bond may, in accordance with its terms, be exchanged, at the office of the Trustee, for a new fully registered Bond or Bonds, of the same maturity, of any Authorized Denomination or Denominations and for the aggregate amount of such Bond then Outstanding. In all cases in which Bonds shall be transferred or exchanged, the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer or exchange shall be paid by the Borrower. Neither the Issuer nor the Trustee shall be required to make any such exchange, registration or transfer of Bonds during a period of fifteen (15) days immediately preceding an Interest Payment Date if the Bonds bear interest at a Reset Rate or a Fixed Rate, or in the case of any proposed redemption of Bonds during the period of (15) days immediately preceding the selection of Bonds for such redemption and after the giving of notice of redemption, the Trustee is not required to transfer or exchange any Bond or portion thereof which has been called for redemption.

**Variable Rate for the Bonds**

The Bonds shall initially bear interest at a Variable Rate until the first Reset Adjustment Date or Fixed Rate Adjustment Date, if any, and thereafter shall bear interest at the applicable rate as set forth in the Indenture.

Following any Reset Adjustment Date, the interest rate on the Bonds may be converted again to a Variable Rate at the election or deemed election of the Borrower in accordance with the Indenture, which date of adjustment to a Variable Rate shall be the Variable Rate Adjustment Date. The Variable Rate of interest borne by the Bonds during each Variable Period for each Variable Interest Accrual Period shall be the Variable Rate determined by the Remarketing Agent and reported to the Trustee, the Tender Agent, the Borrower, the Servicer and the Credit Facility Provider as provided in the Indenture, on the Variable Interest Computation Date for such Variable Interest Accrual Period. Any Bondholder may obtain information on the Variable Rate by request to the Trustee.

The Variable Rate for each Variable Interest Accrual Period determined by the Remarketing Agent on each Variable Interest Computation Date shall be that rate of interest which, if borne by the Bonds, would, in the reasonable professional judgment of the Remarketing Agent, on the basis of prevailing financial market conditions, be the interest rate necessary, but which would not exceed the interest rate necessary, to be borne by the Bonds in order for the market value of the Bonds on such Variable Interest Computation Date to be equal to 100% of the principal amount thereof (disregarding accrued interest) if the Bonds were sold on such Variable Rate Interest Computation Date. If the rate of interest determined by the Remarketing Agent pursuant to the Indenture exceeds the Maximum Rate, then the Variable Rate shall be the Maximum Rate. If for any reason (other than an Event of Default) the Remarketing Agent shall fail to determine the rate of interest or if the rate of interest determined by the Remarketing Agent is held to be invalid or unenforceable for any Variable Interest Accrual Period, then

the Variable Rate for such Variable Interest Accrual Period shall be the Index Rate in effect on the applicable Variable Interest Computation Date.

The determination of the Variable Rate by the Remarketing Agent shall (in the absence of manifest error) be conclusive and binding on the Owners of the Bonds, the Issuer, the Borrower, the Credit Facility Provider, the Remarketing Agent, the Tender Agent and the Trustee, and each shall be protected in relying on it.

Anything herein to the contrary notwithstanding, so long as an Event of Default pursuant to the Indenture shall have occurred and be continuing, the Variable Rate for each Variable Interest Accrual Period shall be (i) for the first sixty (60) days following the occurrence of such Event of Default, the Index Rate in effect on the applicable Variable Interest Computation Date plus four percent (4%) per annum and (ii), thereafter, the Maximum Rate; provided, however, that in no event shall the Variable Rate at any time exceed the Maximum Rate. The Remarketing Agent shall not be responsible for determining the Variable Rate for any Variable Interest Accrual Period after the occurrence and during the continuance of an Event of Default pursuant to the Indenture.

**Demand Purchase of the Bonds**

Any Bond (other than a Purchased Bond) or any units of principal amount thereof in Authorized Denominations, shall be purchased from the proceeds of remarketing thereof or from the sources prescribed in the Indenture (i) on demand of the Owner of such Bond (or, so long as Bonds are in "book-entry only" form, demand of a DTC Participant, with respect to such Bonds) on any Business Day during a Variable Period which is an Optional Tender Date (hereinafter defined), or (ii) upon being tendered or deemed tendered on any Reset Adjustment Date, Variable Rate Adjustment Date, the Fixed Rate Adjustment Date and any Substitution Date (even if such Reset Adjustment Date, Variable Rate Adjustment Date, Fixed Rate Adjustment Date or Substitution Date for which notice has been given by the Trustee to the Bondholders fails to occur). Bonds shall be purchased for a Purchase Price equal to the principal amount thereof, or of any units thereof purchased in Authorized Denominations, plus interest accrued thereon, if any, to the Settlement Date. Bonds shall be purchased upon (a) in the case of a purchase upon the demand of an owner or DTC Participant, upon delivery to the Tender Agent, with a copy to the Trustee and the Remarketing Agent, of a written notice (the "Tender Notice") which states (i) the principal amount of such Bond for which payment is demanded, (ii) that such demand is irrevocable and (iii) the date on which such Bond or units of principal amount thereof in Authorized Denominations shall be purchased, which date shall be a Business Day not prior to the 7th day next succeeding the date of the receipt of the Tender Notice by the Tender Agent (an "Optional Tender Date"); and (b) in all cases, delivery of such Bond (with an appropriate transfer of registration form executed in blank and in form satisfactory to the Tender Agent) to the Tender Agent, at or prior to 9:30 a.m., Washington, D.C. time, on the Settlement Date. So long as a depository is appointed and a "book-entry only" system is in effect with respect to the Bonds, delivery of Bonds for purchase on the Settlement Date may be effected in the manner set forth by such depository.

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

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

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

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

**Mandatory Tender of the Bonds**

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

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

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

In connection with any mandatory tender in connection with the above-captioned events, if the Trustee shall have received the items required under the Indenture, the Trustee shall (i) not later than the fifteenth ($15^{th}$) day before any such Reset Adjustment Date, Variable Rate Adjustment Date, the Fixed Rate Adjustment Date or Substitution Date (or, if such day is not a Business Day, then on the next succeeding Business Day), notify the Tender Agent by telephone, promptly confirmed in writing, with a copy to the Remarketing Agent and (ii) not later than the ninth ($9^{th}$) day before any such Reset Adjustment Date, Variable Rate Adjustment Date or Fixed Rate Adjustment Date or Substitution Date, notify the Bondholders by first class mail, that all Outstanding Bonds (other than Purchased Bonds) shall be subject to mandatory tender and if not so tendered, shall be deemed to have been tendered for purchase on each such Reset Adjustment Date, Variable Rate Adjustment Date, Fixed Rate Adjustment Date or Substitution Date, as provided in the Indenture, at the Purchase Price. Such notices from the Trustee shall be treated as a Tender Notice for all purposes of the Indenture.

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

**Remarketing of the Bonds**

Upon the receipt by the Remarketing Agent of any notice from the Tender Agent that any Bondholder (or DTC Participant, with respect to any Bonds in "book-entry only" form) has delivered a Tender Notice pursuant to the Indenture, or upon receipt of any notice from the Trustee of Bonds deemed to have been tendered in accordance with the provisions of the Indenture or the Remarketing Agent shall offer for sale and use its best efforts to market the Bonds referred to in such Tender Notice or such notice from the Trustee (which shall be deemed to be a Tender Notice as provided in the Indenture) at a price of

par plus accrued interest to the Settlement Date, in accordance with the Remarketing Agreement; provided, however, that the Remarketing Agent shall not knowingly offer for sale or sell such Bonds to the Issuer, the Borrower or any general partner, member or any guarantor of the Borrower. The Remarketing Agent has no obligation to remarket Bonds registered in the name of the Borrower, the Credit Facility Provider or any general partner, member or guarantor of the Borrower unless the Credit Facility shall be in full force and effect after such remarketing. On the Business Day immediately prior to each Settlement Date (each, a "Remarketing Date"), the Remarketing Agent shall give Electronic Notice to the Trustee, the Tender Agent, the Borrower and the Credit Facility Provider by 11:00 a.m., Washington, D.C. time, stating the principal amount of tendered Bonds have been remarketed successfully, specifying the names, addresses, and taxpayer identification numbers of the purchasers of, and the principal amount and denominations of, such Bonds, if any, for which it has found purchasers as of such Remarketing Date, and the Purchase Price at which the Bonds are to be sold (which shall be par plus accrued interest to the Settlement Date). While the Bonds are registered with DTC, the Remarketing Agent shall instruct such purchasers to deliver to the Tender Agent, or shall deliver to the Tender Agent on behalf of such purchasers, no later than 9:30 a.m., Washington, D.C. time, on the Settlement Date, in immediately available funds, against delivery of the Bonds as remarketed to it or them as the case may be, the remarketing proceeds to the extent the Bonds have been successfully remarked. If the Bonds are no longer registered with DTC, upon receipt by the Tender Agent of such amount from such purchasers, the Tender Agent, as co-authenticating agent, shall transfer the registered ownership of the Bonds to the respective new purchasers and deliver such Bonds to such purchasers upon deposit of the Purchase Price with the Tender Agent. The Tender Agent shall hold all Bonds delivered to it in trust for the benefit of the respective Bondholders which shall have so delivered such Bonds until money representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Bondholders. The Tender Agent shall remit the Purchase Price of such Bonds to the tendering Bondholder or Bondholders entitled to the same as provided in the Indenture. In the event that any purchaser which shall have been identified by the Remarketing Agent to the Trustee and the Tender Agent shall fail to pay the Purchase Price for any Bonds prior to 10:00 a.m., Washington, D.C. time, on the Settlement Date, the Tender Agent shall not be obligated to accept such amount after such time. The Tender Agent will immediately notify by telephone the Trustee, the Credit Facility Provider, the Borrower and the Remarketing Agent of any such failure to receive the Purchase Price for such Bonds. On the Settlement Date, the Tender Agent shall notify by telephone the Trustee, the Credit Facility Provider, the Borrower and the Remarketing Agent of the amount of funds held by the Tender Agent as of 10:00 a.m., Washington, D.C. time, on such date constituting the Purchase Price of the Bonds remarketed by the Remarketing Agent, promptly confirmed in writing and transmitted by facsimile. The Tender Agent shall hold all money delivered to it for the purchase of Bonds (including any remarketing proceeds or proceeds of draws on the Credit Facility) in trust in a non-commingled account to be known as the "Bond Purchase Fund" for the benefit of the Person or entity which shall have so delivered such money until the Bonds purchased with such money shall have been delivered to or for the account of such Person. Such moneys shall be held uninvested except as directed in writing by the Credit Facility Provider and then only in Qualified Investments of the type described in the Indenture. The Issuer and the Borrower shall not have any right, title or interest in such moneys. Such investments must mature the earlier of (i) thirty (30) days or (ii) when needed. The Issuer and the Borrower shall not have any right, title or interest in such money.

Except with respect to Bonds to be held under the terms of the Pledge Agreement and any Bonds purchased in lieu of redemption or acceleration pursuant to the provisions of the Indenture, the Issuer, the Borrower or any general partner, member or any guarantor of the Borrower may not purchase any Bonds, from the Remarketing Agent or otherwise.

**Purchase of Bonds Not Remarketed**

In the event that either the Tender Agent shall not have received notice of successful remarketing of tendered Bonds by the day which is one (1) Business Day prior to the Settlement Date or the proceeds of remarketing of any tendered Bonds have not been received by the Tender Agent on or prior to 10:00 a.m., Washington, D.C. time on the Settlement Date, the Trustee is required by the Indenture, within the time required by the terms of the Credit Facility, to draw on the then existing Credit Facility (and in the case of a tender on a Substitution Date, shall draw on the Credit Facility being replaced) in an amount sufficient, together with remarketing proceeds held by the Tender Agent, to enable the Tender Agent to pay the Purchase Price of each such Bond when due. On each Settlement Date, the Trustee shall pay or cause to be paid to the Tender Agent the Purchase Price of any Bonds tendered pursuant to the Indenture and which have not been remarketed pursuant to the Indenture, but only from (i) money obtained by the Trustee pursuant to the Credit Facility then in effect to enable the Trustee to pay the Purchase Price of such tendered Bonds, which amounts shall be transferred by the Trustee to the Tender Agent at or before 3:00 p.m., Washington, D.C. time, on the Settlement Date; and (ii) Eligible Funds from the Borrower to the extent that money obtained pursuant to (i) are insufficient on any date to pay the Purchase Price of tendered Bonds.

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

**Mandatory Tender of Bonds on Substitution Date**

The Borrower is permitted with the consent of the Credit Facility Provider to provide an Alternate Credit Facility to replace the then outstanding Credit Facility at the times specified in the Financing Agreement.

The Bonds shall be subject to mandatory tender for purchase on any Substitution Date from the sources available under the Indenture at a Purchase Price equal to the principal amount thereof plus accrued interest to the Substitution Date; provided, however, that any draw on a Credit Facility shall be made on the then existing Credit Facility and not on the Alternate Credit Facility. In the event there is a draw on the then existing Credit Facility, substitution shall only occur if the Credit Facility Provider is immediately reimbursed for such draw (along with any fees and other interests that may be associated with such draw).

Upon receipt by the Trustee of (i) notice from the Borrower of a planned substitution of the Credit Facility, (ii) the confirmation of the Credit Facility Provider; (iii) a form of the Alternate Credit Facility to be in effect on and after the Substitution Date and an irrevocable commitment to deliver such Alternate Credit Facility; (iv) the form of the disclosure document (if any) to be used in connection with the remarketing of the Bonds on the Substitution Date, and (v) the documents required pursuant to the Financing Agreement, the Trustee shall establish the Substitution Date for the mandatory tender and purchase of the Bonds. Such Substitution Date shall be not less than five (5) days following the Trustee's receipt of the Alternate Credit Facility to be in effect on and after the Substitution Date (which Alternate

Credit Facility may be delivered in escrow), and such other required documents; provided, however, the Substitution Date may be at a later date if the Trustee has received a commitment to extend the existing Credit Facility or the existing Credit Facility will be in place for up to a time period of not less than fifteen (15) days following the Trustee's receipt of the Alternate Credit Facility.

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

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

**Optional Redemption**

(a) The Bonds are subject to optional redemption from payments under the Credit Facility, (subject to (c) below) or with other Eligible Funds deposited with the Trustee with the prior written consent of the Credit Facility Provider, in whole or in part, upon optional prepayments on the Bond Mortgage Loan and the Financing Agreement, during the Variable Period, on any Business Day, at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date.

(b) While the Bonds are registered in the name of the Borrower pursuant to the Pledge Agreement, or on behalf of the Credit Facility Provider in such other name as the Credit Facility Provider shall have directed, as a result of a mandatory tender for purchase of the Bonds pursuant to the Indenture, the Bonds are subject to redemption, in whole or in part, on any date, at the option of the Credit Facility Provider, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium, from Eligible Funds or any other money acceptable to the Credit Facility Provider deposited with the Trustee.

(c) The Trustee shall effect a redemption of Bonds pursuant to the Indenture at the earliest practical date for which notice may be given under the Indenture but in no event later than thirty-five (35) days following its receipt of money representing an optional prepayment of the Bond Mortgage Loan.

**Mandatory Redemption**

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

(i) in whole or in part, upon receipt by the Trustee of (1) proceeds of a draw under the Credit Facility, in the amount of Net Proceeds representing casualty insurance proceeds, or condemnation awards paid as a prepayment of the Bond Mortgage Loan, such amount to be applied to reimburse the Credit Facility Provider for the draw under the Credit Facility as a result of casualty or condemnation of the Project, and (2) a written direction by the Credit Facility Provider to redeem such Bonds using money obtained as a result of a draw upon the Credit Facility; or

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

(iii) in whole, on the last Business Day which is not less than five days before the date of expiration of any Credit Facility unless the Trustee (1) receives a renewal or extension of or replacement for such Credit Facility meeting the requirements of the Financing Agreement or, (2) in the case of a replacement of the Credit Facility in connection with a Reset Adjustment Date or the Fixed Rate Adjustment Date, an irrevocable commitment of an entity to issue an Alternate Credit Facility to be in effect upon and after such Reset Adjustment Date or Fixed Rate Adjustment Date, in each case not less than thirty (30) days before the expiration of the then-existing Credit Facility; or

(iv) in part, at the written direction of the Credit Facility Provider (1) on each Reset Adjustment Date, each Variable Rate Adjustment Date and on the Fixed Rate Adjustment Date in an amount not greater than the amount in the Principal Reserve Fund on the first day of the month prior to such Reset Adjustment Date, Variable Rate Adjustment Date or the Fixed Rate Adjustment Date, as applicable, or (2) on any Interest Payment Date during a Variable Period, in an amount not greater than the amount in the Principal Reserve Fund on the first day of the month prior to such Interest Payment Date; or

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

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

**Selection of Bonds for Redemption**

The Trustee shall select Bonds subject to mandatory sinking fund redemption pursuant to the Indenture by lot or such method as the Trustee deems appropriate within the appropriate maturity. If less than all the Bonds then Outstanding shall be called for redemption other than as a result of mandatory sinking fund redemption pursuant to the Indenture, the Trustee shall redeem an amount of Bonds so that the resulting decrease in debt service on the Bonds in each semiannual period ending on an Interest Payment Date is proportional, as nearly as practicable, to the decrease in the payments on the Bond Mortgage Note in each such semiannual period as verified by the Servicer and the Bonds shall be selected by lot or such method as the Trustee deems appropriate within each maturity, the cost of such selection being at the Borrower's expense.

Bonds shall be redeemed only in Authorized Denominations.

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

**Notice of Redemption**

Notice of the intended redemption of each Bond shall be given by the Trustee by first class mail, postage prepaid, or by facsimile transmission to the registered Owner at the address of such Owner shown on the Bond Register. All such redemption notices shall be given not less than ten (10) days (not less than thirty (30) days in the case of optional or mandatory sinking fund redemptions) nor more than sixty (60) days prior to the date fixed for redemption. The Trustee may provide a conditional notice of redemption upon the direction of the Credit Facility Provider or the Borrower (with the prior written consent of the Credit Facility Provider).

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

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

Notice of such redemption shall also be sent by first class mail, overnight delivery service, facsimile transmission or other secure means, postage prepaid, to the Credit Facility Provider, to the Servicer, to the Remarketing Agent, to the Rating Agency, to all of the Securities Depositories and to at least two of the national Information Services that disseminate securities redemption notices, when possible, at least two (2) Business Days prior to the mailing of notices required by the first paragraph above, and in any event no later than simultaneously with the mailing of notices required by the first paragraph above; provided, that neither failure to receive such notice nor any defect in any notice so mailed in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds.

In addition to providing notice of redemption as set forth above, if the Bonds are no longer held in book-entry form, the Trustee shall send a second notice of redemption within sixty (60) days following the redemption date, by first class mail, overnight delivery service, or other secure means, postage prepaid to the registered Owners of any Bonds called for redemption, at their addresses appearing on the Bond Register, who have not surrendered their Bonds for redemption within thirty (30) days following the redemption date.

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

**Purchase of Bonds in Whole in Lieu of Redemption**

Any time the Bonds are subject to redemption in whole pursuant to the provisions of the Indenture, all (but not less than all) of the Bonds to be redeemed, may be purchased by the Trustee (for the account of the Borrower or the Credit Facility Provider or their respective designee, as directed by such party) on the date which would be the redemption date at the direction of the Credit Facility Provider or the Borrower, with the prior written consent of the Credit Facility Provider, and shall be given no later than 12:00 noon, Washington, D.C. time on such redemption date, at a purchase price equal to the redemption price which would have been applicable to such Bonds on the redemption date. The Bonds shall be purchased in lieu of redemption only from amounts provided by the Credit Facility Provider or from other Eligible Funds. In the event the Trustee is so directed to purchase Bonds in lieu of redemption, no notice to the holders of the Bonds to be so purchased (other than the notice of redemption otherwise required under the Indenture) shall be required, and the Trustee shall be authorized to apply to such purpose the funds in the Redemption Fund which would have been used to pay the redemption price for such Bonds if such Bonds had been redeemed rather than purchased. Such Bonds so purchased for the account of the Borrower shall for all purposes under the Indenture constitute Purchased Bonds held by the Custodian pursuant to the Pledge Agreement and may be remarketed by the Remarketing Agent in accordance with the provisions of the Indenture. In addition, the Credit Facility Provider shall have the right to direct the transfer of Purchased Bonds (without reinstatement of the then existing Credit Facility or delivery to the Trustee of an Alternate Credit Facility, which will result in such Bonds being unrated) to the Credit Facility Provider or any subsidiary of the Credit Facility Provider, or to a single Bondholder which has provided the Trustee with an investment letter in the form attached to the Indenture, provided that any transfer to a single Bondholder as described above shall require delivery of an opinion of Bond Counsel to the Trustee to the effect that such transfer will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. Such Purchased Bonds, if not remarketed or transferred as provided in the Indenture, shall be redeemed and cancelled automatically by the Trustee on the date which is not later than two (2) years from the date of purchase, unless an opinion of Bond Counsel is delivered to the Trustee to the effect that not redeeming and canceling such Purchased Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. Any purchase of Bonds hereunder is not intended as an extinguishment of the debt represented by the Bonds.

**Drawings Under Credit Facility**

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

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

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

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

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

The Trustee shall send to the Borrower via facsimile a copy of any documents which are presented to the Credit Facility Provider in connection with a drawing on the Credit Facility concurrently with its submission of those documents to the Credit Facility Provider if requested to do so by the Borrower. The Borrower shall be permitted to provide the Trustee with an Alternate Credit Facility in accordance with the Indenture and the Financing Agreement.

**Book-Entry Only System**

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each series and maturity of the Bonds, each in the aggregate principal amount of such series and maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of

the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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 MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Issuer, or the Trustee, 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 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.

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

DTC may discontinue providing its service as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only 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 the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

NEITHER THE ISSUER NOR THE TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A BONDHOLDER WITH RESPECT TO EITHER: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION OR PURCHASE PRICE OF OR INTEREST ON THE BONDS; (3) THE DELIVERY OR THE TIMELINESS OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO THE OWNER OF THE BONDS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

### Trust Estate

Under the Indenture, the Issuer will grant to the Trustee a security interest in the following (collectively, the "Trust Estate"), in order to secure, as applicable, the payment of principal of, premium, if any, and interest on the Bonds, and the Purchase Price thereof, according to their tenor and effect, the payment to Freddie Mac of the Freddie Mac Reimbursement Amount and the Freddie Mac Credit Enhancement Fee in accordance with the provisions thereof and of the Credit Enhancement Agreement and Reimbursement Agreement or the payment of amounts due to any other Credit Facility Provider following the termination of the Credit Enhancement Agreement and the performance and observance by the Issuer of all the covenants expressed or implied in the Indenture and in the Bonds:

(a) All right, title and interest of the Issuer in and to all Revenues;

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

money, income, revenues, issues, profits and other amounts payable or receivable thereunder (including all casualty insurance benefits or condemnation awards subject to the interest of the Credit Facility Provider under the Reimbursement Agreement and the Intercreditor Agreement), whether payable under the above-referenced documents or otherwise, to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Issuer or any other Person is or may become entitled to do under said documents; and

(c) Except for funds, money or securities in the Cost of Issuance Fund, the Administration Fund, the Bond Purchase Fund, the Principal Reserve Fund and the Rebate Fund, all funds, money and securities and any and all other rights and interests in property whether tangible or intangible from time to time by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred as and for additional security for the Bonds by the Issuer or by anyone on its behalf or with its written consent to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture.

**Limited Obligations**

The Bonds and the interest thereon shall be special limited obligations of the Issuer payable solely from the Trust Estate pledged under the Indenture, including without limitation, payments received under the Bond Mortgage Note and the Credit Facility.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM AND SECURED BY THE REVENUES PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NONE OF THE ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG") OR THE MEMBERS OF THE ISSUER OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE ISSUER, ABAG OR ANY OF THEIR MEMBERS TO PAY ALL OR ANY PORTION OF DEBT SERVICE DUE ON THE BONDS. THE BONDS AND THE OBLIGATION TO PAY PRINCIPAL OF AND INTEREST THEREON AND ANY REDEMPTION PREMIUM WITH RESPECT THERETO, DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE ISSUER OR ABAG, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF ANY OF THEM, BUT SHALL BE PAYABLE SOLELY FROM THE REMEDIES DESCRIBED HEREIN. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO PAY ANY PRINCIPAL OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS. NEITHER THE ISSUER NOR ABAG HAS ANY TAXING POWER.

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

**The Credit Enhancement Agreement**

To provide security for the Bonds, Freddie Mac will deliver the Credit Enhancement Agreement to the Trustee. See "FREDDIE MAC" and "Appendix B – Form of Credit Enhancement Agreement" herein. Pursuant to the Credit Enhancement Agreement, Freddie Mac is required to pay Guaranteed Payments with respect to the Bond Mortgage Loan when and in the amounts due, and pay the Purchase Price of the Bonds in accordance with the terms of the Indenture and the Credit Enhancement Agreement.

## PLAN OF FINANCE

The entire proceeds of the sale of the Bonds in the amount of $9,920,000 will be applied, together with funds provided by the Borrower and certain other moneys, to refinance the Project through the current refunding of the Prior Bonds. The costs of issuance incurred in connection with the issuance of the Bonds, including a fee to the Underwriter, will be paid by the Borrower from other funds available to it.

## FREDDIE MAC

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

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

Freddie Mac's principal business consists of the purchase of (i) first-lien, conventional residential mortgages subject to certain maximum loan limits and other underwriting requirements under the Freddie Mac Act and (ii) securities backed by such mortgages. Freddie Mac finances its mortgage purchases and mortgage-backed securities purchases through the issuance of a variety of securities, primarily pass-through mortgage participation certificates and unsecured debt, as well as with cash and equity capital.

On September 7, 2008, the Director of the Federal Housing Finance Agency ("FHFA") appointed FHFA as conservator of Freddie Mac in accordance with the Federal Housing Finance Reform Act of 2008 (the "Reform Act") and the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. On September 7, 2008, in connection with the appointment of FHFA as conservator, Freddie Mac and the U.S. Department of the Treasury ("Treasury") entered into a Senior Preferred Stock Purchase Agreement. Also, pursuant to its authority under the Reform Act, Treasury announced that it has established the Government Sponsored Enterprise Credit Facility (a lending facility to ensure credit availability to Freddie Mac, Fannie Mae, and the Federal Home Loan Banks that will provide secured funding on an as needed basis under terms and conditions established by the Treasury Secretary to protect

taxpayers) and a program under which Treasury will purchase Government Sponsored Enterprise (including Freddie Mac) mortgage-backed securities (MBS) in the open market. The announcements by FHFA and Treasury and descriptions of these programs are available at their respective websites: http://www.OFHEO.gov and http://www.Treasury.gov.

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

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

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

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

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

## SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

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

### General

The obligations of the Borrower to reimburse Freddie Mac for amounts paid under the Credit Enhancement Agreement are evidenced by the Reimbursement Agreement. Under the Reimbursement Agreement, the Borrower has promised to repay Freddie Mac all sums of money Freddie Mac has advanced to the Trustee for the Guaranteed Payments made on the Bond Mortgage Loan as well as any payments made for Purchased Bonds upon a failed remarketing. The Reimbursement Agreement also provides that the Borrower will pay to Freddie Mac the Freddie Mac Credit Enhancement Fee and will pay to the Servicer the Servicing Fee (as defined in the Reimbursement Agreement).

Under the provisions of the Reimbursement Agreement, Freddie Mac may declare an Event of Default if (a) the Borrower fails to pay or deposit any amounts with respect to principal or interest on the Bond Mortgage Loan or fees or escrow payments when due, (b) the Borrower fails to pay or deposit any other amount required by the Reimbursement Agreement or related security documents within thirty (30) days after notice thereof, (c) the Borrower fails to observe or perform any of the terms, covenants, conditions or agreements set forth in the Reimbursement Agreement and such failure has continued for thirty (30) days after written notice thereof, (d) the Borrower fails to observe or perform any other term, covenant, condition or agreement set forth in any of the other Borrower Documents or an Event of Default occurs under the Reimbursement Mortgage or any of the other Borrower Documents (taking into account any applicable cure period) other than an event of default under an Additional Mortgage (as hereinafter defined), (e) any representation or warranty made by or on behalf of Borrower under the Reimbursement Agreement or any of the other Borrower Loan Documents or any certificate delivered by Borrower to Freddie Mac or the Servicer shall be inaccurate or incorrect in any material respect when made or deemed made, (f) Freddie Mac shall have given the Borrower notice that Purchased Bonds have not been remarketed as of the ninetieth ($90^{th}$) day following purchase by the Trustee on behalf of the Borrower (or the sixtieth ($60^{th}$) day if there is a failed remarketing when the Bonds are in an interest mode other than a weekly variable rate) and the Borrower has not reimbursed Freddie Mac for the amount advanced to purchase the Purchased Bonds, together with any fees and amounts due under the Reimbursement Agreement, (g) an "Event of Default" occurs under an Additional Mortgage, (h) an Event of Default occurs under certain additional related mortgages or the Cross-Collateralization Agreement or (i) a Reset Period expires and the Borrower has not either (x) received the prior written consent of Freddie Mac to a change in the interest mode or the maintenance of the existing mode or (y) delivered an Alternate Credit Facility in accordance with the terms of the Bond Documents. The Borrower's obligations under the Reimbursement Agreement will be secured by a limited guaranty of an owner of unrelated real estate and by mortgages (each an "Additional Mortgage") from such owner to Freddie Mac. If there is a default under any Additional Mortgage Freddie Mac has the right to declare an Event of Default under the Reimbursement Agreement and exercise the remedies thereunder, including the right to cause the Bonds to be redeemed or purchased in lieu of redemption or acceleration.

Upon an Event of Default, Freddie Mac may exercise any rights and remedies available to it under the Indenture to cause the mandatory redemption, acceleration or purchase in lieu of redemption or acceleration of the Bonds and take any other action at law or equity to protect its rights against the Borrower in the Project, including foreclosing against the Project subject to the Bond Mortgage. If Freddie Mac elects to foreclose against the Project, it has the option to keep the Bonds outstanding or to cause a redemption of the Bonds.

The obligations of the Borrower under the Reimbursement Agreement are secured by the Reimbursement Mortgage. The Reimbursement Mortgage is subordinate to the Bond Mortgage. Bondholders will have no rights under the Reimbursement Mortgage.

**Cross Default**

Affiliates of the Borrower and its managing member have financed, and may finance in the future, other multifamily projects (the "Other Bond Projects") through bonds that have been or will be issued by issuers other than the Issuer and secured by credit enhancement agreements and reimbursement agreements with Freddie Mac substantially similar to the Credit Enhancement Agreement, the Reimbursement Agreement, deeds of trust, deeds to secure debt or mortgages (each a "Mortgage") and mortgage notes substantially similar to the Bond Mortgage and the Bond Mortgage Note. In addition, affiliates of the Borrower and its managing member have and may in the future, grant mortgage liens on certain other projects (the "Additional Mortgaged Properties") to secure its obligations to Freddie Mac under such reimbursement agreements, including the Reimbursement Agreement. The Reimbursement Agreement and the Cross-Collateralization Agreement govern the relationship between the Bond Mortgage and the other mortgages securing the Other Bond Projects, and a default under the Bond Mortgage or any of the Mortgages on the Other Bond Projects or any of the Additional Mortgages on the Additional Mortgaged Properties will, at Freddie Mac's option, be a default under the Reimbursement Agreement.

Pursuant to the Cross-Collateralization Agreement, a default under the other reimbursement agreements or the Cross-Collateralization Agreement will, at Freddie Mac's option, be a default under the Reimbursement Agreement. Consequently, a default with respect to the Other Bond Projects or Additional Mortgaged Properties could result in an Event of Default under the Reimbursement Agreement whether or not the Bonds and the Bond Mortgage Loan on the Project are in default. Upon an Event of Default under the Reimbursement Agreement or other reimbursement agreements, Freddie Mac may direct the Trustee to call the Bonds for mandatory redemption or purchase in lieu thereof. In such event, the Trustee shall draw under the Credit Facility, which amounts will be applied to pay the redemption price or the purchase price of the Bonds. No premium will be paid on the Bonds in the event of such a mandatory redemption of Bonds or purchase in lieu thereof. See "THE BONDS – Mandatory Redemption" herein.

## SUMMARY OF CERTAIN PROVISIONS OF THE INTERCREDITOR AGREEMENT

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

Under the terms of the Intercreditor Agreement, the Issuer, the Trustee and Freddie Mac have agreed, among other things, that, until either (a) Freddie Mac fails to honor a draw properly presented in accordance with the terms of the Credit Enhancement Agreement or (b) the Credit Enhancement Agreement terminates in accordance with its terms, certain of the rights and remedies of the Issuer, the Trustee and Freddie Mac, under certain of the Bond Mortgage Loan Documents, including (without limitation) the rights and remedies of the Trustee, as beneficiary of the Bond Mortgage, may be exercised only with the prior written consent of Freddie Mac, in its sole discretion, including (without limitation) the right to waive certain terms and conditions of certain of the Bond Mortgage Loan Documents pertaining to the Borrower.

## THE PROJECT AND THE BORROWER

The following information concerning the Project and the Borrower has been provided solely by representatives of the Borrower and has not been independently confirmed or verified by either the Underwriter, Underwriter's Counsel, Bond Counsel, the Issuer or Issuer's counsel. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

### The Borrower

The Borrower is a Delaware limited partnership. The Borrower has two general partners, Hearthstone/EQR JV, LLC, a California limited liability company, the sole member of which is Hearthstone Housing Foundation, a California nonprofit benefit corporation and EQR-Acton Berkeley, LLC, a Delaware limited liability company. ERP Operating Limited Partnership, an Illinois limited partnership ("ERP"), is the sole member of EQR-Action Berkeley, LLC and owns a 99.98% limited partnership interest in the Borrower. Equity Residential, a Maryland real estate investment trust ("EQR"), is the sole general partner of ERP (as of December 31, 2009, EQR owned approximately 92.4% of ERP's outstanding partnership interests). EQR, one of the largest publicly traded real estate investment trusts (each a "REIT") (based on the aggregate market value of its outstanding common shares of beneficial interest) is a self-administered and self-managed equity REIT. EQR was organized in March 1993 and commenced operations as a publicly traded company on August 18, 1993 upon completion of its initial public offering. EQR was formed to continue the multifamily property business objectives and acquisition strategies of certain affiliated entities controlled by Mr. Samuel Zell, Chairman of the Board of Trustees of EQR. These entities had been engaged in the acquisition, ownership and operation of multifamily properties since 1969. EQR's senior executives average over 30 years of experience in the multifamily property business. EQR is the largest publicly traded REIT owner of multifamily properties (based on the number of apartment units owned and total revenues earned). Nationwide, as of December 31, 2009, EQR owned or had investments in 608 properties in 24 States, consisting of 163,252 apartment units. All of EQR's interest in multifamily properties are held directly or indirectly by, and substantially all of its operations relating to multifamily properties are conducted through ERP.

### Description of the Project

The Bonds are being issued to refinance a mixed-use residential rental project comprised of a building featuring ground floor retail space, courtyard and rooftop open spaces and a total of 71 very low, low and moderate-income rental housing units located in the City of Berkeley, Alameda County, California. The Project is comprised primarily of two-bedroom units and parking for 63 vehicles is accommodated in an interior garage. The Project participates in a car-sharing program to reduce the level of private automobile ownership by Project tenants. The Project must be rented in accordance with the Tax Regulatory Agreement. See "SUMMARY OF THE TAX REGULATORY AGREEMENT".

### Leasing Restrictions

Pursuant to the Tax Regulatory Agreement, in order to comply with federal tax law requirements applicable to the Bonds, the Borrower has agreed that for the Qualified Project Period no less than 20% of the total number of completed units of the Project have been and will at all times be rented to and occupied by Very Low Income Tenants. See "SUMMARY OF THE TAX REGULATORY AGREEMENT" herein.

**Management of the Project**

The Project is managed by Equity Residential Properties Management Corp., an Illinois corporation (the "Manager"). The Manager is an affiliate of the Borrower and of EQR. Either the Manager or another affiliate of EQR manages substantially all multifamily residential communities owned by EQR-affiliated companies and certain other communities owned by entities not affiliated with EQR. The Manager manages the Project pursuant to the management agreement (the "Management Agreement") with the Borrower. It is currently anticipated that the Manager will manage the Project for the life of the Bonds, but no assurance can be given that either the Borrower or the Manager will not terminate the Management Agreement during that time.

## CERTAIN BONDHOLDERS' RISKS

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

THE BONDS ARE NOT SUBJECT TO ACCELERATION OR REDEMPTION (UNLESS FREDDIE MAC SHALL CAUSE, IN ITS SOLE DISCRETION, SUCH ACCELERATION OR REDEMPTION), AND THE RATE OF INTEREST ON THE BONDS IS NOT SUBJECT TO RETROACTIVE ADJUSTMENT, BY REASON OF THE INTEREST ON THE BONDS BEING INCLUDED IN GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION. Such event could occur if the Borrower (or any subsequent owner of the Project) does not comply with the provisions of the Financing Agreement or the Tax Regulatory Agreement which are designed, if complied with, to satisfy the continuing compliance requirements of the 1986 Code, in order for the interest on the Bonds to be excludable from gross income for purposes of federal income tax. Under such circumstances, interest on the Bonds might become subject to federal income taxation retroactive to the date of issuance or some other subsequent date. See "Summary of the Tax Regulatory Agreement" and "Tax Exemption" herein.

**No Borrower Personal Liability**

The Borrower, its members, managers, and their respective directors, shareholders and officers have not been nor will they be personally liable for payments on the Bond Mortgage Loan, nor will the Borrower, its members, managers, and their respective directors, shareholders and officers be personally liable under the other documents executed in connection with the issuance of the Bonds and the making of the Bond Mortgage Loan. All payments on the Bond Mortgage Loan are expected to be derived from revenues generated by the Project or draws under the Credit Facility.

**Economic Feasibility**

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

**Competing Facilities**

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

**Expiration of Credit Enhancement Agreement**

The Credit Enhancement Agreement expires on August 6, 2029, prior to the maturity date of the Bonds. In the event the Borrower fails to provide a renewal of the Credit Enhancement Agreement or an Alternate Credit Facility, the Bonds will be subject to mandatory redemption on the last Business Day which is not less than five days before the date of expiration of the Credit Enhancement Agreement.

**Enforceability and Bankruptcy**

The remedies available to the Trustee and the holders of the Bonds upon an event of default under the Financing Agreement, the Credit Enhancement Agreement, or the Indenture are dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing laws and judicial decisions, the remedies provided under the aforesaid documents may not readily be available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds and the aforesaid documents will be qualified to the extent that the enforceability of certain legal rights related to the Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

**Cross Default**

Affiliates of the Borrower and several of its partners have financed, and may finance in the future, the Other Bond Projects through bonds that have been or will be issued by issuers other than the Issuer and secured by credit enhancement agreements and reimbursement agreements with Freddie Mac substantially similar to the Credit Enhancement Agreement and the Reimbursement Agreement, as well as mortgages and mortgage notes substantially similar to the Bond Mortgage and Bond Mortgage Note. Pursuant to the Cross-Collateralization Agreement, a default under the other reimbursement agreements or the Cross-Collateralization Agreement will, at Freddie Mac's option, be a default under the Reimbursement Agreement and, consequently, result in an Event of Default under the Reimbursement Mortgage whether or not the Bonds or the Bond Mortgage Loan are in default. See "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT – Cross Default" and "THE BONDS – Mandatory Redemption" herein.

## DISCLOSURE CONCERNING REMARKETING OF THE BONDS

*The information under this heading "DISCLOSURE CONCERNING REMARKETING OF THE BONDS" has been provided by the Remarketing Agent. None of the Borrower, Freddie Mac or the Issuer takes any responsibility for the information contained under this heading.*

**Remarketing Agent Paid by Borrower**

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

**Remarketing Agent Routinely Purchases Bonds for its Own Account**

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

**Bonds May be Offered at Different Prices on any Date Including an Interest Rate Determination Date**

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

**Ability to Sell the Bonds Other than Through Tender Process May be Limited**

The Remarketing Agent may buy and sell Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to sell their Bonds, to instead tender their Bonds through the Tender Agent with appropriate notice. Thus, investors who purchase the Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process.

## SUMMARY OF THE INDENTURE

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

**Trust Estate**

Under the Indenture, the Issuer will grant to the Trustee a security interest in the Trust Estate in order to secure the payment of principal of, premium, if any, and interest on the Bonds, and the Purchase Price thereof, according to their tenor and effect, the payment to Freddie Mac of the Freddie Mac Reimbursement Amount and the Freddie Mac Credit Enhancement Fee in accordance with the provisions of the Indenture and of the Credit Enhancement Agreement and Reimbursement Agreement or the prepayment of amounts due and owing to any other Credit Facility Provider following the termination of the Credit Enhancement Agreement and the performance and observance by the Issuer of all the covenants expressed or implied in the Indenture and in the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Trust Estate" herein.

**Establishment of Funds for the Bonds**

In addition to the Bond Mortgage Loan Fund, which is established pursuant to the Indenture for the purpose of holding the proceeds of the sale of the Bonds prior to the funding of the Bond Mortgage Loan, and the Bond Purchase Fund, the Trustee shall establish, maintain and hold in trust the following funds and accounts, each of which shall be disbursed and applied only as authorized in the Indenture: (a) Revenue Fund, and within the Revenue Fund a General Account and a Credit Facility Account; (b) Bond Fund and within the Bond Fund a Purchased Bonds Account; (c) Redemption Fund; (d) Administration Fund; (e) Cost of Issuance Fund; (f) Principal Reserve Fund; and (g) Rebate Fund.

**Revenue Fund**

(a) All Revenues shall be deposited by the Trustee, promptly upon receipt thereof, to the General Account of the Revenue Fund, except (i) the proceeds of the Bonds received by the Trustee on the Delivery Date, which shall be applied to the redemption of the Prior Bonds; (ii) amounts paid pursuant to the Credit Facility, which shall be deposited in the Credit Facility Account; (iii) the Bond Fee Component received from the Servicer or Borrower, which shall be deposited to the Administration Fund; (iv) as otherwise specifically provided in the Indenture with respect to certain deposits into the Redemption Fund; (v) as otherwise specifically provided in the Indenture with respect to deficiencies in the Administration Fund; (vi) with respect to investment earnings to the extent required under the terms of the Indenture to be retained in the funds and accounts to which they are attributable; and (vii) with respect to amounts required to be transferred between funds and accounts as provided in the Indenture.

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

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

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

THIRD: To the Redemption Fund from money in the Credit Facility Account (i) amounts paid to the Trustee under the Credit Facility to be applied to the mandatory redemption of all or a portion of the Bonds pursuant to the Indenture (other than a mandatory sinking fund redemption) and (ii) amounts paid to the Trustee under the Credit Facility to be applied to the optional redemption of all or a portion of the Bonds pursuant to the Indenture; and

FOURTH: To the Purchased Bonds Account in the Bond Fund from money in the General Account, such amount as the Credit Facility Provider shall advise the Trustee is equal to the interest due on the Purchased Bonds on such date.

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

(d) Should the amount in the Bond Fund be insufficient to pay the amount due on the Bonds on any given Interest Payment Date or other payment date after the transfers from the Credit Facility Account, the Trustee shall credit to the Bond Fund the amount of such deficiency by charging the following funds and accounts in the following order of priority: (1) the General Account of the Revenue Fund; (2) the Administration Fund; (3) the Redemption Fund, except no such charge to the Redemption Fund shall be made from money to be used to effect a redemption for which notice of redemption has been provided for or from money which is held for payment of Bonds which are no longer Outstanding under the Indenture; and (4) at the written direction of the Credit Facility Provider pursuant to the Indenture, the Principal Reserve Fund.

(e) At the written direction of the Borrower, and with the written consent of the Credit Facility Provider, interest earnings deposited into the General Account of the Revenue Fund shall be paid to the Borrower semi-annually on each March 1 and September 1, commencing September 1, 2010, so long as (i) there is no deficiency in the Principal Reserve Fund, the Administration Fund, the Rebate Fund or any Custodial Account, (ii) no default exists under the Bond Mortgage Loan and (iii) no event of default exists under any of the Bond Mortgage Loan Documents.

**Bond Fund**

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

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

No amount shall be charged against the Bond Fund except as expressly provided in the Indenture.

**Redemption Fund**

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

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

No amount shall be charged against the Redemption Fund except as expressly provided in the Indenture.

**Administration Fund**

Amounts in the Administration Fund shall be withdrawn or maintained, as appropriate, by the Trustee and used **FIRST**, to make up any deficiency in the Bond Fund on any Interest Payment Date, to the extent money then available in the General Account of the Revenue Fund is insufficient to make up such deficiency; **SECOND**, to pay to the Trustee when due the Ordinary Trustee's Fees and Expenses; **THIRD**, to pay to the Issuer when due the Issuer Annual Fee; **FOURTH**, to pay when due the reasonable fees and expenses of a Rebate Analyst in connection with the computations relating to arbitrage rebate required under the Indenture and the Financing Agreement, upon receipt of an invoice from the Rebate Analyst; **FIFTH**, to deposit to any Custodial Escrow Account any deficiency in the amount held therein as certified in writing by the Servicer (or subsequent holder of such an account) to the Trustee; **SIXTH**, to pay to the Remarketing Agent any unpaid portion of the Remarketing Agent Fee owed to it (to the extent such unpaid portion is included in the Bond Fee Component), as set forth in an invoice submitted to the Trustee; **SEVENTH**, to pay to the Trustee any Extraordinary Trustee's Fees and Expenses due and payable from time to time, as set forth in an invoice submitted to the Borrower and Freddie Mac; **EIGHTH**, to pay to the Issuer any extraordinary expenses it may incur in connection with the Bonds or the Indenture from time to time, as set forth in an invoice submitted to the Trustee and Freddie Mac; **NINTH**, to pay to the Credit Facility Provider any unpaid portion of the amounts due under the Reimbursement Agreement, as certified in writing by the Credit Facility Provider to the Trustee; **TENTH**, to pay to the Servicer any unpaid portion of the Ordinary Servicing Fees and Expenses and any Extraordinary Servicing Fees and Expenses due and owing from time to time, as set forth in an invoice submitted to the Trustee and Freddie Mac; **ELEVENTH**, to make up any deficiency in the Redemption Fund on any redemption date of the Bonds, to the extent money then available in the Redemption Fund is insufficient to redeem Bonds called for redemption on such redemption date; **TWELFTH**, to pay to the Rating Agency when due the annual rating maintenance fee, if any, as set forth in an invoice submitted to the Trustee; **THIRTEENTH**, to pay to the Remarketing Agent any unpaid portion of fees owed to it

upon receipt of invoices by the Trustee; and **FOURTEENTH**, to transfer any remaining balance after application as aforesaid to the General Account of the Revenue Fund.

In the event that the amounts on deposit in the Administration Fund are not equal to the amounts payable from the Administration Fund as provided in the preceding paragraph on any date on which such amounts are due and payable, the Trustee shall give notice to the Borrower of such deficiency and of the amount of such deficiency and request payment within two (2) Business Days to the Trustee of the amount of such deficiency. Upon payment by the Borrower of such deficiency, the amounts for which such deficiency was requested shall be paid as provided in the Indenture.

On or before each Interest Payment Date, the income realized from the investment of money in the Administration Fund not needed to pay the foregoing amounts shall be credited by the Trustee to the General Account of the Revenue Fund.

No amount shall be charged against the Administration Fund except as expressly provided in the Indenture.

**Principal Reserve Fund**

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

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

At the written request of the Borrower, the Credit Facility Provider, in its sole and absolute discretion, may (i) consent to the release of all or a portion of the amounts on deposit in the Principal Reserve Fund to the Borrower (in which case the Trustee shall release such amounts to the Borrower, provided that if, in the judgment of the Rebate Analyst, the amount on deposit in the Rebate Fund at such time is less than the amount required under the Indenture to be rebated to the United States Treasury, then prior to any such release to the Borrower, any amounts on deposit in the Principal Reserve Fund (up to the amount of such deficiency) shall be transferred to the Rebate Fund) and/or (ii) reduce or no longer require deposits to the Principal Reserve Fund.

On each Reset Adjustment Date, Variable Rate Adjustment Date and on the Fixed Rate Adjustment Date, amounts on deposit in the Principal Reserve Fund, if any, shall be used to reimburse the

Credit Facility Provider in an amount equal to any Guaranteed Payment made by the Credit Facility Provider to the Trustee under the Credit Facility to redeem Bonds in Authorized Denominations pursuant to the Indenture.

On the first day of the month in which an Interest Payment Date falls during a Reset Period or a Fixed Rate Period, amounts on deposit in the Principal Reserve Fund, if any, shall be used to reimburse the Credit Facility Provider in an amount equal to any Guaranteed Payment made by the Credit Facility Provider to the Trustee under the Credit Facility to redeem Bonds in Authorized Denominations pursuant to the Indenture.

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

Any amounts remaining in the Principal Reserve Fund after payment in full of the principal of and interest on the Bonds shall be applied as provided in the Indenture.

**Rebate Fund**

The Rebate Fund shall be established by the Trustee and held and applied as provided in the Indenture. On any date on which any amounts are required by applicable federal tax law to be rebated to the federal government, amounts shall be deposited into the Rebate Fund by the Borrower for such purpose. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the rebate requirement (as defined in the Tax Certificate) as calculated by the Rebate Analyst, for payment to the United States Government, and neither the Issuer, the Borrower, the Credit Facility Provider nor the Bondholders shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture and by the Tax Certificate. The Trustee shall conclusively be deemed to have complied with such provisions if it follows the written instructions of the Issuer, Bond Counsel or the Rebate Analyst, including supplying all necessary information in the manner set forth in the Tax Certificate, and shall not be required to take any actions under the Tax Certificate in the absence of written instructions from the Issuer, Bond Counsel or the Rebate Analyst.

**Investment of Funds**

The money held by the Trustee shall constitute trust funds for the purposes hereof. Any money attributable to each of the funds and accounts hereunder (except the Principal Reserve Fund as provided in the Indenture and the Bond Purchase Fund, the investment of which is provided for in the Indenture) shall be, except as otherwise expressly provided therein, invested by the Trustee, at the written direction of the Borrower, in Qualified Investments which mature on the earlier of (i) six months from the date of investment and (ii) the date such money is needed; provided, that if the Trustee shall have entered into any investment agreement requiring investment of money in any fund or account thereunder in accordance with such investment agreement and if such investment agreement constitutes a Qualified Investment, such money shall be invested in accordance with such requirements; provided further, that all funds derived from draws on the Credit Facility shall be held uninvested or shall be invested only in Government Obligations or in Qualified Investments of the type described in subparagraph (g) of the definition thereof which, in any case, shall mature or be subject to tender or redemption at par on or prior to the earlier of: (i) thirty (30) days from the date of investment or (ii) the date such money is required to be applied pursuant to the provisions of the Indenture. Except as otherwise provided in the preceding

sentence, in the absence of written direction from the Borrower and the Credit Facility Provider, the Trustee shall invest amounts on deposit in the funds and accounts established under the Indenture in investments of the type described in subparagraph (g) of the definition of Qualified Investments. Such investments may be made through the investment or securities department of the Trustee. All such Qualified Investments purchased with money in any fund or account hereunder shall mature, or shall be subject to redemption or withdrawal without discount or penalty at the option of the Trustee, prior to the next succeeding Interest Payment Date. The Trustee may purchase from or sell to itself or an affiliate, as principal or agent, securities herein authorized. Any instruction from the Borrower shall be deemed to include a representation that the investment constitutes a Qualified Investment and is in accordance with the terms hereof and the Tax Certificate. The Trustee shall be entitled to assume, absent receipt by the Trustee of written notice to the contrary, that any investment which at the time of purchase in a Qualified Investment remains a Qualified Investment thereafter.

Amounts on deposit in the Principal Reserve Fund shall be invested and reinvested by the Trustee at the written direction of the Borrower in accordance with the investment requirements set forth in the Reimbursement Agreement. All such investments shall be attributable to and deemed at all times to be a part of the Principal Reserve Fund.

Qualified Investments representing an investment of money attributable to any fund or account shall be deemed at all times to be a part of said fund or account, and, except as otherwise may be provided expressly in other Sections of the Indenture, the interest thereon and any profit arising on the sale thereof shall be credited to the General Account of the Revenue Fund, and any loss resulting on the sale thereof shall be charged against the General Account of the Revenue Fund. Such investments shall be sold at the best price obtainable (at least par) whenever it shall be necessary so to do in order to provide money to make any transfer, withdrawal, payment or disbursement from said fund or account. In the case of any required transfer of money to another such fund or account, such investments may be transferred to that fund or account in lieu of the required money if permitted thereby as an investment of money in that fund or account. The Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance therewith.

The Issuer acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory agency grant the Issuer the right to receive brokerage confirmations of the security transactions as they occur. To the extent permitted by law, the Issuer specifically waives compliance with 12 C.F.R. 12 and hereby notifies the Trustee thereunder, that no brokerage confirmations need be sent relating to the security transactions as they occur. Except as otherwise provided in the following sentence, all investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by the Indenture or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in the Principal Reserve Fund shall be valued at their present value (within the meaning of section 148 of the Code).

**Money Held in Trust**

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

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

**Amounts Remaining in Funds**

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

**Events of Default**

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

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

(b) failure by the Credit Facility Provider to make when due a required payment under the Credit Facility; or

(c) failure to observe or perform any of the covenants, agreements or conditions on the part of the Issuer in the Indenture or in the Bonds and the continuance thereof for a period of thirty (30) days (or such longer period, if any, as is specified in the Indenture for particular defaults) after written notice thereof (which notice shall be effective only with the written consent of the Credit Facility Provider, if no Event of Default has occurred and is then continuing under the Indenture) to the Issuer from the Trustee or the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding at such time specifying such default and requiring the same to be remedied; provided that if such default cannot be cured within such thirty (30) day period through the exercise of diligence and the Issuer commences the required cure within such thirty (30) day period and continues the cure with diligence and the Issuer reasonably anticipates that the default could be cured within sixty (60) days, the Issuer shall have sixty (60) days following receipt of such notice to effect the cure.

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

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

**Acceleration; Remedies**

Upon the occurrence of an Event of Default described in paragraph (b) under the subheading "-Events of Default" above), the Trustee shall, upon the written request of the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding and receipt of indemnity satisfactory to it, by notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and interest shall continue to accrue thereon until such amounts are paid.

Upon the occurrence of an Event of Default (other than an Event of Default described in paragraph (b) under the subheading "-Events of Default" above), the Trustee shall, but only upon receipt from the Credit Facility Provider of a notice directing such acceleration (which notice may be given in the sole discretion of the Credit Facility Provider), by notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable and, upon the Credit Facility Provider having honored a properly presented and conforming draw under the Credit Facility to pay such amounts, interest on the Bonds shall cease to accrue, anything contained in the Indenture or in the Bonds to the contrary notwithstanding.

The payment on the Bonds resulting from a declaration of acceleration on the Bonds as the result of an Event of Default described in paragraph (a) or (c) under the subheading "-Event of Default" above shall be made from the Credit Facility.

If at any time after the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered, the Borrower or the Credit Facility Provider, as applicable, shall pay to or deposit with the Trustee a sum sufficient to pay all principal of the Bonds then due (other than solely by reason of such declaration) and all unpaid installments of interest (if any) upon all the Bonds then due, with interest at the rate borne by the Bonds on such overdue principal and (to the extent legally enforceable) on such overdue installments of interest, and the reasonable fees and expenses of the Trustee (including its counsel) shall have been made good or cured or adequate provision shall have been made therefor, and all outstanding amounts then due and unpaid under the Reimbursement Agreement (including, without limitation, with respect to the Credit Facility Provider all outstanding amounts owed to the Credit Facility Provider and all fees owed to the Credit Facility Provider (collectively, the "Cure Amount")) shall have been paid in full, and all other defaults thereunder shall have been made good or cured or waived in writing by the Credit Facility Provider (or, if an Event of Default described in paragraph (b) under the subheading "Events of Default" above has occurred and is then continuing, by the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding), then and in every case, the Trustee on behalf of the Holders of all the Outstanding Bonds shall rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, nor shall it impair or exhaust any right or power consequent thereon. Notwithstanding the foregoing provisions of this paragraph, in the event the Cure Amount is derived in whole or in part from a draw on the Credit Facility, any such rescission on annulment of such declaration of acceleration shall not occur without the written consent of the Credit Facility Provider.

Upon the occurrence and during the continuance of an Event of Default, the Trustee in its own name and as trustee of an express trust, on behalf and for the benefit and protection of the Holders of all Bonds with respect to which such an Event of Default has occurred and of the Credit Facility Provider (if no Event of Default has occurred and is continuing under paragraph (b) under the caption "Events of Default" above), may also proceed to protect and enforce any rights of the Trustee and, to the full extent that the Holders of such Bonds themselves might do, the rights of such Bondholders under the laws of the State or under the Indenture by such of the following remedies as the Trustee shall deem most effectual to

protect and enforce such rights; provided that, so long as no Event of Default has occurred and is then continuing under paragraph (b) under the caption "Events of Default" above, the Trustee may undertake any such remedy only upon the receipt of the prior written consent of the Credit Facility Provider (which consent may be given in the sole discretion of the Credit Facility Provider):

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

(2) by pursuing any available remedies under the Financing Agreement, the Tax Regulatory Agreement, the Credit Facility or any other Bond Financing Document;

(3) by realizing or causing to be realized through sale or otherwise upon the security pledged hereunder; and

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

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

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

**Rights of Bondholders**

If an Event of Default under paragraph (b) under the subheading "Events of Default" above shall have occurred and is then continuing, and if requested in writing so to do by the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding with respect to which there is a default, and if indemnified to its satisfaction, the Trustee shall exercise one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel or a committee of Responsible Officers, shall deem to be in the best interest of the affected Bondholders. If an Event of Default under paragraph (b) under the caption "Events of Default" above shall have occurred and is then continuing, the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding with respect to which an Event of Default has occurred shall have the right at any time,

subject to the provisions of the Indenture, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings thereunder, in accordance with the provisions of law and of the Indenture.

**Remedies of Bondholders**

No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereunder or for the appointment of a receiver or any other remedy thereunder, unless (a) a default shall have occurred of which the Trustee shall have been notified as provided in the Indenture; (b) such default shall have become an Event of Default under paragraph (b) under the caption "Events of Default" above; (c) the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding with respect to which there is such an Event of Default shall have made written request to the Trustee and shall have offered reasonable opportunity to the Trustee either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (d) such Holders shall have offered to the Trustee indemnity as provided in the Indenture; and (e) the Trustee shall within sixty (60) days thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding; it being understood and intended that no one or more Holders of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture or the rights of any other Holders of Bonds or to obtain priority or preference over any other Holders or to enforce any right under the Indenture, except in the manner in the Indenture provided with respect to the equal and ratable benefit of all Holders of Bonds with respect to which there is a default. Nothing contained in the Indenture shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of, the premium, if any, and interest on any Bond at the maturity thereof or the obligation of the Issuer to pay the principal of, premium, if any, and interest on the Bonds issued thereunder to the respective holders thereof, at the time, in the place, from the sources and in the manner expressed in the Indenture and said Bonds.

**Rights of the Credit Facility Provider**

If an Event of Default under paragraphs (a) or (c) under the caption "Events of Default" above shall have occurred and so long as no Event of Default has occurred and is then continuing under paragraph (b) under the caption "Events of Default" above, upon receipt of the written direction of the Credit Facility Provider (which direction may be given in the sole discretion of the Credit Facility Provider), the Trustee shall be obligated to exercise any right or power conferred by the Indenture in the manner set forth in such written direction of the Credit Facility Provider. If such written direction expressly states that the Trustee may exercise one or more of the rights and powers conferred in the Indenture as the Trustee shall deem to be in the interest of the Bondholders and the Credit Facility Provider, the Trustee, being advised by counsel or a committee of Responsible Officers, shall exercise one or more of such rights and powers as the Trustee, being advised by counsel shall deem to be in the best interests of the Bondholders and the Credit Facility Provider; provided, however, that in any event, so long as no Event of Default has occurred and is then continuing under paragraph (b) under the caption "Events of Default" above, the Trustee may not undertake any action to realize, through sale or otherwise, upon the Bond Mortgage Loan without the express written direction of the Credit Facility Provider. So long as no Event of Default has occurred and is then continuing under paragraph (b) under the caption "Events of Default" above, in the case of an Event of Default under paragraphs (a) or (c) under the caption "Events of Default" above, the Credit Facility Provider shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture,

or for the appointment of a receiver or any other proceedings under the Indenture, in accordance with the provisions of law and of the Indenture.

**Supplemental Indentures**

The Issuer and the Trustee may, from time to time and at any time, without the consent of, or notice to, any of the Bondholders, but with the prior written consent of the Credit Facility Provider, enter into an indenture or indentures supplemental to the Indenture as shall not be inconsistent with the terms and provisions of the Indenture or materially adverse to the Holders of the Bonds for any one or more of the following purposes:

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

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

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

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

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

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

(g) during a Variable Period, to modify, amend or supplement the Indenture in any other respect, including amendments which would otherwise be described in the Indenture, (i) if notice of the proposed supplemental indenture is given to Bondholders (in the same manner as notices of redemption are given) at least twenty (20) days before the effective date thereof and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to the Indenture or (ii) if such amendments will take effect on a mandatory tender date following the purchase of all the Bonds;

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

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

(j) to modify, amend or supplement the Indenture in any other respect which is not materially adverse to the Holders of the Bonds to be Outstanding after the effective date of the Change and which does not involve a Change described in the immediately following paragraph.

With the prior written consent of the Credit Facility Provider, the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the Issuer and the Trustee of such indenture or indentures supplemental thereto as shall be deemed necessary and desirable by the Issuer or the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing in the Indenture contained shall permit, or be construed as permitting, (a) an extension of the time for payment of or reduction in the Purchase Price, or an extension of the time for payment of, or an extension of the stated maturity or reduction in the principal amount or reduction in the rate of interest on or extension of the time of payment, of interest on, or reduction of any premium payable on the redemption of, any Bonds, or a reduction in the Borrower's obligation on the Bond Mortgage Note, without the consent of the Holders of all of the Bonds then Outstanding, (b) the creation of any lien prior to or on a parity with the lien of the Indenture, (c) a reduction in the aforesaid percentage of the principal amount of Bonds which is required in connection with the giving of consent to any such supplemental indenture, without the consent of the Holders of all of the Bonds then Outstanding, (d) the modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee, (e) a privilege or priority of any Bond over any other Bonds, (f) any action that results in the interest on the Bonds becoming included in gross income for federal income tax purposes or (g) the modifications of the rights, duties or immunities of the Remarketing Agent, without the written consent of the Remarketing Agent.

If at any time the Issuer shall request the Trustee to enter into any such supplemental indenture for any of the purposes described in the preceding paragraph, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed, postage prepaid, to all registered Bondholders and to the Credit Facility Provider. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the corporate trust office of the Trustee for inspection by all Bondholders. Thirty (30) days after the date of mailing of such notice, the Issuer and the Trustee may enter into such supplemental indenture substantially in the form described in such notice, but only if there shall have first been or is simultaneously delivered to the Trustee the required consents, in writing, of the Credit Facility Provider and the Holders of not less than the percentage of Bonds required by this Section. If the Holders of not less than the percentage of Bonds required by this Section shall have consented to and approved the execution and delivery of a supplemental indenture as provided therein, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as permitted and provided in the Indenture, the Indenture shall be and be deemed to be modified and amended in accordance therewith. The Trustee may rely upon an opinion of counsel as conclusive evidence that execution and delivery of a supplemental indenture has been effected in compliance with the provisions of the Indenture.

Unless the Borrower shall then be in default of any of its obligations under the Financing Agreement, the Reimbursement Agreement, the Tax Regulatory Agreement, the Bond Mortgage Note, the Bond Mortgage or the Reimbursement Mortgage, a supplemental indenture which affects any rights of the Borrower shall not become effective unless and until the Borrower shall have expressly consented in writing to the execution and delivery of such supplemental indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture to be mailed by

certified or registered mail to the Borrower or the Borrower's attorney at least fifteen (15) days prior to the proposed date of execution and delivery of any supplemental indenture.

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

**Trustee**

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

No provision of the Indenture shall be construed to relieve the Trustee from liability for its breach of trust, own negligence or willful misconduct, except that:

(a) prior to an Event of Default thereunder, and after the curing or waiving of all such Events of Default which may have occurred:

(i) the duties and obligations of the Trustee shall be determined solely by the express provisions of the Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Indenture;

(ii) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee by the Person or Persons authorized to furnish the same;

(b) at all times, regardless of whether or not any such Event of Default shall exist:

(i) the Trustee shall not be liable for any error of judgment made in good faith by an officer or employee of the Trustee except for willful misconduct or negligence by the officer or employee of the Trustee as the case may be; and

(ii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Credit Facility Provider or the Holders of more 51% of the aggregate principal amount of the Bonds then Outstanding (or such lesser or greater percentage as is specifically required or permitted by the Indenture) relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

The Trustee shall be entitled to its Ordinary Trustee's Fees and Expenses in connection with the services rendered by it in the execution of the trusts created under the Indenture and in the exercise and performance of any of the powers and duties thereunder or under any Bond Financing Document to the extent money is available therefor, in accordance with the Indenture, exclusive of Extraordinary Services. The Trustee shall be entitled to Extraordinary Trustee's Fees and Expenses in connection with any Extraordinary Services performed consistent with the duties under the Indenture or under any of the Bond Financing Documents; provided the Trustee shall not incur any Extraordinary Trustee's Fees and

Expenses without the consent of the Credit Facility Provider (except that no consent shall be required if an Event of Default under paragraph (b) under caption "Events of Default" above has occurred and is continuing).

If any property, other than cash, shall at any time be held by the Trustee subject to the Indenture, or any supplemental indenture, as security for the Bonds, the Trustee, if and to the extent authorized by a receivership, bankruptcy, or other court of competent jurisdiction or by the instrument subjecting such property to the provisions of the Indenture as such security for the Bonds, shall be entitled to make advances for the purpose of preserving such property or of discharging tax liens or other liens or encumbrances thereon. Payment to the Trustee for its services and reimbursement to the Trustee for its expenses, disbursements, liabilities and advances, shall be limited to the sources described in the Indenture and in the Financing Agreement. Remarketing proceeds and proceeds of draws on the Credit Facility shall not be used to pay or reimburse the Trustee for any such amounts. The Issuer shall have no liability for Trustee's fees, costs or expenses. Subject to the provisions of the Indenture, the Trustee agrees that it shall continue to perform its duties under the Indenture (including, but not limited to, its duties as Paying Agent and Bond Registrar) and under the Bond Financing Documents even in the event that money designated for payment of its fees shall be insufficient for such purposes or in the event that the Borrower fails to pay the Ordinary Trustee' s Fees and Expenses or, if applicable, the Extraordinary Trustee's fees and Expenses, as required by the Financing Agreement.

Any association or corporation into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any association or corporation resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party shall, ipso facto, be and become successor Trustee thereunder and vested with all the title to the whole property or Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instruments or any further act, deed or conveyance on the part of any of the parties thereto, anything in the Indenture to the contrary notwithstanding, and shall also be and become successor Trustee in respect of the beneficial interest of the Trustee in the Bond Mortgage Loan.

The Trustee may at any time resign from the trusts created by the Indenture by giving written notice to the Issuer, the Borrower, the Tender Agent, the Remarketing Agent and the Credit Facility Provider, and by giving notice by certified mail or overnight delivery service to each Holder of the Bonds then Outstanding. Such notice to the Issuer, the Borrower, the Tender Agent, the Remarketing Agent and the Credit Facility Provider may be served personally or sent by certified mail or overnight delivery service. The resignation of the Trustee shall not be effective until a successor trustee has been appointed and such successor Trustee shall have agreed in writing to be bound by the duties and obligations of the Trustee under the Indenture and the Intercreditor Agreement.

The Trustee may be removed at any time, either with or without cause, with the consent of the Credit Facility Provider (which consent of the Credit Facility Provider shall not be unreasonably withheld) at the direction of Borrower, by a written instrument delivered to the Issuer, the Trustee, the Borrower, the Tender Agent and the Remarketing Agent, and if an Event of Default shall have occurred and be continuing, other than an Event of Default described in paragraph (b) under the Subheading "-Events of Default", by a written instrument signed by the Credit Facility Provider and delivered to the Trustee, the Issuer, the Borrower, the Tender Agent and the Remarketing Agent. The Trustee may also be removed, if an Event of Default described in paragraph (b) under the Subheading "-Events of Default" shall have occurred and be continuing, by a written instrument or concurrent instruments signed by the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding and delivered to the Trustee, the Issuer, the Borrower, the Tender Agent, the Remarketing Agent and the Credit Facility Provider. The Trustee may also be removed by the Credit Facility Provider following notice to the Issuer

and after a thirty (30) day period during which the Issuer may attempt to cause the Trustee to discharge its duties in a manner acceptable to Credit Facility Provider, and in each case written notice of such removal shall be given to the Servicer, the Borrower, the Remarketing Agent and to each registered Owner of Bonds then Outstanding as shown on the Bond Registrar. Any such removal shall take effect on the day specified in such written instrument(s), but the Trustee shall not be discharged from the trusts thereby created until a successor Trustee has been appointed and has accepted such appointment and has agreed in writing to be bound by the duties and obligations of the Trustee thereunder and under the Intercreditor Agreement.

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

If, in a proper case, no appointment of a successor Trustee shall be made pursuant to the Indenture within sixty (60) days following delivery of all required notices of resignation given pursuant to the Indenture or of removal of the Trustee pursuant to the Indenture, the retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. The court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee. Every such Trustee appointed pursuant to the provisions of the Indenture shall be a trust company or bank organized under the laws of the United States of America or any state thereof authorized under such laws to exercise corporate trust powers and which is in good standing, and subject to supervision or examination by Federal or state authority. The Trustee must have or be subsidiary of a bank holding company having a reported combined capital and surplus or consolidated net worth of $50,000,000. Such successor Trustee shall agree to be the successor mortgagee under the Bond Mortgage.

There shall be engaged at all times that Freddie Mac is the Credit Facility Provider an eligible servicing institution designated by Freddie Mac as the Servicer (which may be Freddie Mac if Freddie Mac elects to service the Bond Mortgage Loan) to service the Bond Mortgage Loan pursuant to the Guide.

**Satisfaction and Discharge of Indenture**

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

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

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

the Issuer and the Trustee of an opinion of Bond Counsel to the effect that such deposit will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes; or

(c) by the delivery to the Trustee, for cancellation by it, of all Bonds Outstanding; and shall have paid all amounts due and owing to the Credit Facility Provider thereunder and under the Credit Facility and the Reimbursement Agreement, including but not limited to the Freddie Mac Reimbursement Amount and the Freddie Mac Credit Enhancement Fee, and shall have paid all fees and expenses and any other amounts due to the Trustee, the Servicer, the Tender Agent, the Remarketing Agent and each Paying Agent, and if the Issuer shall keep, perform and observe all and singular the covenants and promises in the Bonds and in the Indenture expressed as to be kept, performed and observed by it or on its part, then these presents and the estates and rights hereby granted shall cease, determine and be void, and thereupon the Trustee shall cancel and discharge the lien of the Indenture and execute and deliver to the Issuer such instruments in writing as shall be requisite to satisfy the lien of the Indenture, and reconvey to the Issuer the estate thereby conveyed, and assign and deliver to the Issuer any interest in property at the time subject to the lien of the Indenture which may then be in its possession, except amounts held by the Trustee for the payment of principal of, interest and premium, if any, on the Bonds, the payment of any amounts owed to the United States or the payment of any amounts payable to the Credit Facility Provider.

Any Outstanding Bond shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the immediately preceding paragraph if, under circumstances which do not cause interest on the Bonds to be includable in the Holders' gross income for purposes of federal income taxation, the following conditions shall have been fulfilled: (a) in case such Bond is to be redeemed on any date prior to its maturity, the Trustee shall have given to the Bondholder irrevocable notice of redemption of such Bond on said date; (b) there shall be on deposit with the Trustee either money or direct obligations of the United States of America in an amount, together with anticipated earnings thereon (but not including any reinvestment of such earnings), which will be sufficient to pay, when due, the principal or redemption price, if applicable, and interest due and to become due on such Bond on the redemption date or maturity date thereof, as the case may be; (c) in the case of Bonds which do not mature or will not be redeemed within sixty (60) days of such deposit, the Trustee shall have received a verification report of a firm of certified public accountants reasonably acceptable to the Trustee as to the adequacy of the amounts so deposited to fully pay the Bonds deemed to be paid; and (d) the Trustee shall have received an opinion of nationally recognized bankruptcy counsel, if required by the definition of Eligible Funds, to the effect that such money constitutes Eligible Funds.

## SUMMARY OF THE FINANCING AGREEMENT

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

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

### Terms of the Bond Mortgage Loan; Servicing

The Bond Mortgage Loan shall (i) be evidenced by the Bond Mortgage Note; (ii) be initially secured by the Credit Facility and the Bond Mortgage; (iii) be in the principal amount of $9,920,000; (iv) bear interest as provided in the Bond Mortgage Note; (v) provide for monthly payments into the Principal

Reserve Fund in accordance with the Principal Reserve Schedule attached to the Reimbursement Agreement; and (vi) be subject to optional and mandatory prepayment at the times, in the manner and on the terms, and have such other terms and provisions, as provided in the Financing Agreement and in the Bond Mortgage Note.

The Servicer shall service the Bond Mortgage Loan pursuant to the Commitment and the Guide. The Issuer, the Trustee and the Borrower acknowledge and agree that so long as no event of default has occurred and is continuing under the Credit Facility (i) selection or removal of any Servicer is in the sole and absolute discretion of the Credit Facility Provider; (ii) neither the Issuer nor the Trustee shall terminate or attempt to terminate any Servicer as the servicer for the Bond Mortgage Loan or appoint or attempt to appoint a substitute servicer for the Bond Mortgage Loan; (iii) the Commitment and the Guide are each subject to amendment without the consent of the Trustee, the Issuer or the Borrower; and (iv) none of the Trustee, the Issuer or the Borrower shall have any rights under, or be a third party beneficiary of, the Guide. The Servicer shall have the right to collect all payments made by the Borrower in connection with the Bond Mortgage Loan and to receive copies of all reports and notices provided for by the Bond Financing Documents.

**Bond Mortgage Loan Payments; Independent Obligation of Borrower**

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

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

**Payment of Certain Fees and Expenses Under the Bond Mortgage Note**

In addition to the payments set forth in the Financing Agreement, payments to be made by the Borrower under the Bond Mortgage Note include certain moneys to be paid in respect of, among others, the Bond Fee Component, the Ordinary Servicing Fees and Expenses, the Freddie Mac Credit Enhancement Fee, the Principal Reserve Schedule Payments pursuant to the Financing Agreement, any annual rating maintenance fees of the Rating Agency and amounts required to be deposited in any Custodial Escrow Account pursuant to the Bond Mortgage Loan Documents. To the extent that the

Borrower shall fail to pay any portion of the Bond Fee Component, the Ordinary Servicing Fees and Expenses, Freddie Mac Credit Enhancement Fee, the Principle Reserve Schedule payments, the annual rating maintenance fees of the Rating Agency and amounts required to be deposited in a Custodial Escrow Account when due or those amounts which remain due and owing at any time shall be payable from money on deposit in the Administration Fund as provided in the Indenture or from other money of the Borrower, to the extent that money in the Administration Fund are insufficient for such purposes. All other fees and expenses shall be payable from money of the Borrower.

**Prepayment of the Bond Mortgage Loan**

The Borrower shall have the option to prepay the Bond Mortgage Loan in full or in part prior to the payment and discharge of all the outstanding Bonds in accordance with the provisions of the Bond Mortgage Note, the Indenture and the Financing Agreement, and only with the prior written consent of the Credit Facility Provider and the payment of any amount due as described in the Financing Agreement. The Borrower shall be required to prepay the Bond Mortgage Loan in each case that Bonds are required to be redeemed pursuant to the Indenture. The Bonds are subject to redemption in accordance with the terms and conditions set forth in the Indenture. In connection with any prepayment, whether optional or mandatory, in addition to all other payments required under the Bond Mortgage Note, the Borrower shall pay, or cause to be paid to the Servicer or other party as directed by the Credit Facility Provider (or, if no Credit Facility is then in effect, to the Trustee), an amount sufficient to pay the redemption price of the Bonds to be redeemed, including principal, interest and premium (if any), such premium to be paid with Eligible Funds not consisting of funds drawn under the Credit Facility, and further including any interest to accrue with respect to the Bond Mortgage Loan and such Bonds between the prepayment date and the redemption date, together with a sum sufficient to pay all fees, costs and expenses in connection with such redemption and, in the case of redemption in whole, to pay all other amounts payable under the Financing Agreement, under the Indenture and the Reimbursement Agreement. The Borrower shall provide notice of the prepayment to the Issuer, the Trustee, the Remarketing Agent, the Credit Facility Provider and the Servicer in writing forty-five (45) days, or such shorter time as is possible in the case of mandatory prepayments, prior to the date on which the Borrower will make the prepayment. Each such notice shall state, to the extent such information is available, (i) the amount to be prepaid, (ii) the date on which the prepayment will be made by the Borrower, and (iii) the cause for the prepayment, if any.

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

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

**Alternate Credit Facility**

The Borrower, with the prior written confirmation of the Credit Facility Provider that the provisions of the Reimbursement Agreement have been satisfied (but without the consent of the Issuer, the Trustee or Bondholders), may, on any Interest Payment Date during a Variable Period, on any Reset Adjustment Date, or any Variable Rate Adjustment Date and on the Fixed Rate Adjustment Date (but no later than thirty (30) days prior to the expiration date of the Credit Facility unless an irrevocable commitment to extend the existing Credit Facility has been delivered to the Trustee satisfying the requirements of the Indenture, if applicable), and, following the beginning of a Reset Period, on any Interest Payment Date occurring after the Bonds may first be optionally redeemed at a price of not greater than par plus accrued interest to the redemption date and subject to the terms of the existing Credit Facility and Reimbursement Agreement, arrange for the delivery to the Trustee of an Alternate Credit Facility in substitution for the Credit Facility then in effect (referred to in this paragraph as "credit support") and, if applicable, for payment of the Purchase Price of Bonds delivered or deemed delivered in accordance with the Indenture (referred to in this paragraph as "liquidity support"); provided that, without the consent of the Borrower (and without the consent of the Issuer, the Trustee or Bondholders), the Credit Facility Provider may provide any other form of "credit support" or "liquidity support" (or combination thereof) issued by the Credit Facility Provider in substitution for the then existing Credit Facility if (A) the conditions of the Indenture are satisfied or (B)(i) the Rating Agency confirms in writing that such substitution will not adversely affect the current rating on the Bonds, (ii) the Credit Facility Provider delivers to the Issuer and the Trustee an Opinion of Counsel satisfying the requirements described in subparagraph (c) of this paragraph and (iii) such substitute "credit support" or "liquidity support" (or combination thereof) does not increase the amounts required to be paid by, or other obligations of, the Borrower. Any Alternate Credit Facility shall satisfy the following conditions, as applicable:

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

(b) The Alternate Credit Facility shall (i) be in an amount equal to the aggregate principal amount of the Bonds Outstanding from time to time plus the Interest Requirement (or otherwise provide coverage satisfactory to the Rating Agency); (ii) provide for payment in immediately available funds to the Trustee upon receipt of the Trustee's request for such payment with respect to any Interest Payment Date, purchase date (if applicable) or extraordinary mandatory redemption date pursuant to the Indenture; (iii) if the Alternate Credit Facility is provided to secure Bonds during a Reset Period, provide an expiration date no earlier than the earliest of (1) the day following the Reset Adjustment Date immediately succeeding the Reset Period; (2) ten (10) days after the Trustee receives notice from the Credit Facility Provider of an Event of Default under the Financing Agreement or a default under and as defined in the Reimbursement Agreement and a direction to redeem all Outstanding Bonds; (3) the date on which all Bonds are paid in full and the Indenture is discharged in accordance with its terms; and (4) the date on which the Bonds become secured by an Alternate Credit Facility in accordance with the terms of the Indenture and the Reimbursement Agreement; (iv) unless waived by the Issuer in its sole discretion, result in the Bonds receiving a long-term rating or short-term rating, or both, as applicable for the mode then in effect, for the long-term rating in one of the two highest rating categories of the Rating Agency without regard to pluses or minuses and for the short-term rating in the highest category of the

Rating Agency without regard to pluses or minuses; and (v) have a stated expiration or termination date not sooner than one year following its effective date.

(c) In connection with the delivery of an Alternate Credit Facility, the Trustee must receive (i) an Opinion of Counsel to the Credit Facility Provider issuing the Alternate Credit Facility, in form and substance satisfactory to the Issuer and the Trustee, relating to the due authorization and issuance of the Alternate Credit Facility, its enforceability, that the statements made relating to the Alternate Credit Facility and Reimbursement Agreement contained in any disclosure document or supplement to existing disclosure document related to the Bonds are true and correct, that the Alternate Credit Facility is not required to be registered under the Securities Act of 1933, as amended and, if required by the Rating Agency, that payments made by the Credit Facility Provider pursuant to the Credit Facility will not be voidable under Section 547 of the Bankruptcy Code and would not be prevented by the automatic stay provisions of Section 362(a) of the Bankruptcy Code, in the context of a case or proceeding by or against the Borrower, a managing member of the Borrower or by the Issuer under the Bankruptcy Code; (ii) an Opinion of Bond Counsel to the effect that the substitution of such Alternate Credit Facility will not adversely affect the exclusion from gross income, for federal income tax purposes, of the interest payable on the Bonds; and (iii) the delivery of a continuing disclosure agreement if required by the Financing Agreement.

**Tax Compliance**

In the Financing Agreement, the Borrower has covenanted and made representations that it has taken and caused to be taken, and covenants that it will take and cause to be taken, all actions that may be required of it, alone and in conjunction with the Issuer, for the interest on the Bonds to be and remain excluded from gross income for Federal income tax purposes, and represents that it has not taken or permitted to be taken on its behalf, and covenants that it will not take or permit to be taken on its behalf, any actions that would adversely affect such exclusion under the provisions of the Code.

**Events of Default**

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

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

(b) The Borrower's failure to observe and perform any of its other covenants, conditions or agreements contained in the Financing Agreement, other than as referred to in clause (a) above, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given by the Issuer or the Trustee to the Borrower; provided, however, that if the failure shall be such that it can be corrected but not within such period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Borrower within such period and diligently pursued until the failure is corrected; or

(c) The occurrence of a default under the Reimbursement Agreement shall at the discretion of the Credit Facility Provider constitute an Event of Default under the Financing Agreement, but only if the Trustee is provided written notice thereof by the Credit Facility Provider that an Event of Default has occurred under the Reimbursement Agreement and the Trustee is instructed by the Credit Facility Provider that such default constitutes an Event of Default under the Financing Agreement. The

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

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

**Remedies on Default**

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

(a) The Issuer shall cooperate with the Trustee as the Trustee acts pursuant to the Indenture.

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

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

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

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

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

## SUMMARY OF THE TAX REGULATORY AGREEMENT

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

**Residential Rental Property**

The Borrower acknowledges and agrees in the Tax Regulatory Agreement that the Project will be owned, managed and operated as a "qualified residential rental project" (within the meaning of Section 142(d) of the Code) until the expiration of the Qualified Project Period. To that end, and for the term of the Tax Regulatory Agreement, the Borrower represents, covenants, warrants and agrees in the Tax Regulatory Agreement as follows:

(a) The Project was acquired and constructed for the purpose of providing multifamily residential rental property, and the Borrower will own, manage and operate the Project as a project to provide multifamily residential rental property comprised of a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities, in accordance with applicable provisions of Section 142(d) of the Code and Section 1.103-8(b) of the Regulations, and the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time.

(b) All of the residential dwelling units in the Project will be similarly constructed units and, to the extent required by the Code and the Regulations, each residential dwelling unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, refrigerator and sink.

(c) None of the residential dwelling units in the Project will at any time be used on a transient basis (including use as a corporate suite), or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park.

(d) No part of the Project will at any time be owned by a cooperative housing corporation; nor shall the Borrower take any steps in connection with a conversion to such ownership or uses. Other than obtaining a final subdivision map on the Project and a Final Subdivision Public Report from the California Department of Real Estate, the Borrower shall not take any steps in connection with a conversion of the Project to a condominium ownership except with (1) the prior written opinion of Bond Counsel that the interest on the Bonds will not become includable in the gross income of the Bondowners for federal income tax purposes under Section 103 of the Code as a result thereof and (2) the prior written consent of the Freddie Mac or its successor in interest.

(e) All of the residential dwelling units in the Project will be available for rental on a continuous basis to members of the general public and the Borrower will not give preference to any particular class or group in renting the residential dwelling units in the Project, except to the extent that dwelling units are required to be leased or rented to Very Low Income Tenants or to seniors.

(f) The Project site consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the Facilities will comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) No residential dwelling unit in the Project shall be occupied by the Borrower, any of its general partners, or contractors or employees of the contractors of the Borrower or employees of the Borrower. Notwithstanding the foregoing, if the Project contains five or more dwelling units, this subsection shall not be construed to prohibit occupancy of residential dwelling units by one or more resident managers or maintenance personnel any of whom may be the Borrower; provided that the number of such managers or maintenance personnel is not unreasonable given industry standards in the area for the number of residential dwelling units in the Project.

(h) Should involuntary noncompliance with the provisions of Section 1.103-8(b) of the Regulations be caused by fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in a federal law or an action of a federal agency after the Closing Date which prevents the Issuer from enforcing the requirements of the Regulations, or condemnation or similar event, the Borrower covenants that, within a "reasonable period" determined in accordance with the Regulations, it will either prepay the Mortgage Loan or apply any proceeds received as a result of any of the preceding events to reconstruct the Project to meet the requirements of Section 142(d) of the Code and the Regulations.

(i) The Borrower will not discriminate on the basis of race, religion, color, sex, source of income (e.g., AFDC, SSI), physical disability (including HIV/AIDS), age, national origin, ancestry, marital or domestic partner status, sexual preference or gender identity in connection with the rental, lease, use or occupancy of units in the Project or in connection with the employment or application for employment of persons for the rehabilitation, operation and management of the Project.

**Very Low Income Tenants**

During the Qualified Project Period:

(a) Not less than twenty percent (20%) of the completed residential dwelling units in the Project will be designated as Very Low Income Units which are occupied, or, if vacant as of the Closing Date, will be held vacant until occupied by Very Low Income Tenants. All of the Very Low Income Units will be generally distributed in terms of location and number of bedrooms throughout the Project. The Very Low Income Units will be of comparable quality and offer a range of sizes and number of bedrooms comparable to those units which are available to other tenants. Tenants in the Very Low Income Units will have equal access and enjoyment to all common facilities of the Project.

(b) The monthly rent paid by the persons occupying the Very Low Income Units will be Affordable Rent.

(c) Very Low Income Units will remain available on a priority basis for occupancy by Very Low Income Tenants. A residential dwelling unit occupied by a Very Low Income Tenant who at the commencement of the occupancy is a Very Low Income Tenant will be treated as occupied by a Very Low Income Tenant until a recertification of such tenant's income in accordance with the Tax Regulatory Agreement demonstrates that such tenant no longer qualifies as a Very Low Income Tenant and thereafter any dwelling unit in the Project is occupied by a new resident other than a Very Low Income Tenant. A residential dwelling unit previously occupied by a Very Low Income Tenant and then vacated will be considered occupied by a Very Low Income Tenant until reoccupied, other than for a temporary period, at which time the character of the unit will be redetermined. In no event will such temporary period exceed thirty-one (31) days.

(d) Following the expiration or termination of the Qualified Project Period, except in the event of foreclosure and redemption of the Bonds, deed in lieu of foreclosure or comparable conversion

of the Mortgage Loan, eminent domain or action of a federal agency preventing enforcement, Very Low Income Units required to be reserved for occupancy pursuant to subparagraph (a) will remain available to Very Low Income Tenant occupying a Very Low Income Unit at the date of expiration or termination of the Qualified Project Period, at a rent not greater than the amount set forth by subparagraph (a), until the earliest of any of the following to occur:

(i) The Very Low Income Tenant's household income exceeds 140 percent of the maximum eligible income specified in the definition of Very Low Income Tenant.

(ii) The Very Low Income Tenant voluntarily moves or is evicted for "good cause". "Good cause" for the purposes of this section, means the nonpayment of rent or allegation of facts necessary to prove major, or repeated minor, violations of material provisions of the occupancy agreement which detrimentally affect the health and safety of other persons or the structure, the fiscal integrity of the Project or the purposes or special program of the Project.

(iii) Thirty years after the date of commencement of the Qualified Project Period.

(iv) The Borrower pays the relocation assistance and benefits to tenants as provided in subdivision (b) of Section 7264 of the Government Code of the State of California.

(e) During the three years prior to expiration of the Qualified Project Period, the Borrower will continue to make available to Very Low Income Tenants, Very Low Income Units that have been vacated to the same extent other units in the Project are made available to tenants that are not Very Low Income Tenants.

(f) Subparagraphs (d) and (e) above will not be construed to require the Issuer or the Program Administrator (if other than the Issuer) to monitor the Borrower's compliance with the provisions of subparagraphs (d) and (e).

**Additional Rental Restrictions**

In addition to the requirements set forth above, during the Qualified Project Period, the Borrower agrees to comply with each of the requirements set forth below:

(a) The Borrower will accept as tenants on the same basis as all other prospective tenants, including persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the United States Housing Act of 1937, or any successor program or similar state or local governmental assistance program. The Borrower will not apply selection criteria to Section 8 certificate or voucher holders that are more burdensome than criteria applied to all other prospective tenants and the Borrower will not refuse to rent to any Very Low Income Tenant on the basis of household size as long as such household size does not exceed three persons for a one bedroom unit, five persons for a two bedroom unit and seven persons for a three bedroom unit. The Borrower will not collect any additional fees or payments from a Very Low Income Tenant except security deposits or other deposits required of all tenants. The Borrower will not collect security deposits or other deposits from Section 8 certificate or voucher holders in excess of that allowed under the Section 8 Program. The Borrower will not discriminate against Very Low Income Tenant applicants on the basis of source of income (e.g., AFDC or SSI), and the Borrower will consider a prospective tenant's previous rent history of at least one year as evidence of the ability to pay the applicable rent (ability to pay will be demonstrated if a Very Low Income Tenant can show that the same percentage or more of the tenant's income has been paid for rent in the past as will be required to be paid for the rent applicable to the Very

Low Income Unit to be occupied, provided that such Very Low Income Tenant's expenses have not increased materially).

(b) Each lease pertaining to a Very Low Income Unit will contain a provision to the effect that the Borrower has relied on the income certification and supporting information supplied by the Very Low Income Tenant in determining qualification for occupancy of the Very Low Income Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease. Each lease may also contain a provision that failure to cooperate with the annual recertification process reasonably instituted by the Borrower pursuant to the Tax Regulatory Agreement may at the option of the Borrower disqualify the unit as a Very Low Income Unit or provide grounds for termination of the lease.

(c) The refinancing of the acquisition, construction and operation of the Project and the financing thereof is and will be in compliance with the conditions set forth in Exhibit A to CDLAC Resolution No. 00-197 (the "CDLAC Resolution") adopted on December 19, 2001, which conditions are incorporated in the Tax Regulatory Agreement; provided, however, neither the Issuer nor the Program Administrator will be required to monitor the Borrower's compliance with the provisions summarized in this paragraph (c). The Borrower will annually on or prior to March 1 of each year, and as otherwise requested by CDLAC, prepare and submit to CDLAC a Certificate of Compliance in substantially the form attached to the CDLAC Resolution, executed by an authorized representative of the Borrower.

**Sale or Transfer of the Project**

(a) The Borrower intends to hold the Project for its own account, has no current plans to sell, transfer or otherwise dispose of the Project, and covenants and agrees not to sell, transfer or otherwise dispose of the Project, or any portion thereof (other than for individual tenant use as contemplated hereunder), without obtaining the prior written consent of the Issuer, which consent will not be unreasonably withheld, and receipt by the Issuer and the Trustee of (i) evidence satisfactory to the Issuer and the Bank that the Borrower's purchaser or transferee has assumed in writing and in full, the Borrower's duties and obligations under the Tax Regulatory Agreement, (ii) an opinion of counsel of the transferee that the transferee has duly assumed the obligations of the Borrower under the Tax Regulatory Agreement and that such obligations and the Tax Regulatory Agreement are binding on the transferee, (iii) evidence acceptable to the Issuer that either (A) the purchaser or assignee has experience in the ownership, operation and management of rental housing projects such as the Project without any record of material violations of discrimination restrictions or other state or federal laws or regulations applicable to such projects, or (B) the purchaser or assignee agrees to retain a property management firm with the experience and record described in subparagraph (A) above or if the purchaser or assignee does not have management experience, the Issuer will, or will cause the Program Administrator to, provide on-site training in program compliance if the Issuer determines such training is necessary, (iv) evidence that no event of default exists under the Tax Regulatory Agreement, the Financing Agreement or any document related to the Mortgage Loan, and payment of all fees and expenses of the Issuer and the Trustee due under any of such documents is current, and (v) an opinion of Bond Counsel to the effect that such transfer will not, in itself, cause interest on any Bond to become includable in the gross income of the recipients thereof for federal income tax purposes. Any sale, transfer or other disposition of the Project in violation of this paragraph will be null, void and without effect, will cause a reversion of title to the Borrower, and will be ineffective to relieve the Borrower of its obligations under the Tax Regulatory Agreement. Nothing in this paragraph will affect any provision of any other document or instrument between the Borrower and any other party which requires the Borrower to obtain the prior written consent of such other party in order to sell, transfer or otherwise dispose of the Project. Not less than 60 days prior to consummating any sale, transfer or disposition of any interest in the Project, the Borrower will deliver to the Issuer and the Trustee a notice in writing explaining the nature of the proposed transfer.

(b) Notwithstanding the foregoing, any restrictions on sale or transfer of the Project or of any interest in the Borrower, Issuer and/or Trustee consents, transferee agreements, transferee criteria and requirements, opinion requirements, assumption fees, transfer fees, penalties and the like will not apply to any transfer of title to the Project to Freddie Mac or a third party by foreclosure, deed in lieu of foreclosure or comparable conversion of the Mortgage Loan or to any subsequent transfer by Freddie Mac following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Mortgage Loan. No transfer of the Project will operate to release the Borrower from its obligations under the Tax Regulatory Agreement which arose during its ownership of the Project. Nothing contained in the Tax Regulatory Agreement will affect any provision of the Bond Mortgage, the Reimbursement Mortgage or any of the other Mortgage Loan Documents which requires the Borrower to obtain the consent of Freddie Mac as a precondition to sale, transfer or other disposition of, or any direct or indirect interest in, the Project or of any direct or indirect interest in the Borrower. No covenant obligating the Borrower to obtain an agreement from any transferee to abide by all requirements and restrictions of the Tax Regulatory Agreement will have any applicability to a transfer to Freddie Mac upon foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Mortgage Loan by Freddie Mac, or to any subsequent transfer by Freddie Mac following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Mortgage Loan. Any written consent to a sale or transfer obtained from the Issuer will be deemed to constitute conclusive evidence that the sale or transfer is not a violation of this provision.

**Term**

(a) The Tax Regulatory Agreement will become effective upon its execution and delivery and will remain in full force and effect during the Qualified Project Period. The provisions thereof are intended to survive any earlier retirement of the Bonds and expiration, termination or cancellation of the Indenture and the Financing Agreement. Notwithstanding any other provisions of the Tax Regulatory Agreement to the contrary, the entire Tax Regulatory Agreement, or any of its provisions or sections, may be terminated upon agreement by the Issuer, the Trustee, the Bank and the Borrower subject to compliance with any of the provisions contained in the Tax Regulatory Agreement only if there shall have been received an opinion of Bond Counsel that such termination will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds or the exemption from State personal income taxation of the interest on the Bonds. The Borrower will provide written notice of any termination of the Tax Regulatory Agreement to the Issuer, the Bank and the Trustee.

(b) The Tax Regulatory Agreement will terminate and be of no further force and effect in the event of (i)(a) involuntary noncompliance with the provisions of the Tax Regulatory Agreement caused by a foreclosure of the lien of a deed of trust on the Project or delivery of a deed in lieu of foreclosure whereby a third party takes possession of the Project or (i)(b) involuntary non-compliance with the provisions of the Tax Regulatory Agreement caused by fire, seizure, requisition, change in a federal law or an action of a federal agency after the date hereof which prevents the Issuer and the Trustee from enforcing the provisions thereof or condemnation or a similar event, and (ii) in each case, the payment in full and retirement of the Bonds theretofore or within a reasonable period thereafter; provided, however, that the preceding provisions of this sentence will cease to apply and the restrictions contained therein will be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Borrower or any related person to it (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income tax purposes. Upon the termination of the terms of the Tax Regulatory Agreement, the parties thereto will execute, deliver and record appropriate instruments of release and discharge of the terms thereof; provided, however, that the execution and delivery of such instruments will not be necessary or a prerequisite to the termination of the Tax Regulatory Agreement in accordance with its terms.

**Freddie Mac Rider**

A Freddie Mac Rider (the "Rider") has been attached to and forms a part of the Tax Regulatory Agreement. The provisions of the Rider shall amend and supplement the provisions of, and in the event of a conflict shall supersede the conflicting provisions of, the Tax Regulatory Agreement.

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

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

(ii) neither the Issuer nor the Trustee may, upon the occurrence of an event of default under the Tax Regulatory Agreement, seek, in any manner, to (a) cause or direct acceleration of the Bond Mortgage Loan, (b) enforce the Bond Mortgage Note, (c) foreclose on the Bond Mortgage, (d) cause the Trustee to redeem the Bonds or to declare the principal of the Bonds and the interest accrued on the Bonds to be immediately due and payable or (e) cause the Trustee to take any other action under any of the Bond Mortgage Loan Documents, any of the Bond Documents or any other documents which action would or could have the effect of achieving any one or more of the actions, events or results described in the preceding clauses (a) through (d); and

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

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

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

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

Under no circumstances shall the Issuer or the Trustee:

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

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

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

## CONTINUING DISCLOSURE

The offering of the Bonds as Variable Rate Bonds is not subject to the requirements of Securities and Exchange Commission Rule 15c2-12 by virtue of paragraph (d)(1)(iii) thereof. None of the Borrower, the Issuer or Freddie Mac has undertaken, for the benefit of the Bondholders or Beneficial Owners of the Bonds, to provide continuing or ongoing disclosure information to the Municipal Securities Rulemaking Board. However, Freddie Mac is a reporting company under the Securities Exchange Act of 1934, as amended, and files periodic and other reports and information accordingly with the Securities and Exchange Commission. See the caption "FREDDIE MAC" in this Official Statement. The Borrower has agreed in the Financing Agreement to enter into a disclosure agreement with the Trustee to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12 at such time as the interest rate on the Bonds is adjusted to a Reset Rate or is converted to the Fixed Rate.

## TAX EXEMPTION

### Federal Income Taxes

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, except during any period while a Bond is held by a "substantial user" of the facilities financed by the Bonds or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986. It should be noted, however, that such interest is an item of tax preference for purposes of computing the federal alternative minimum

tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is, under existing law, exempt from personal income taxation imposed by the State of California.

The opinion of Bond Counsel is subject to the condition that the Issuer and the Borrower comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer and the Borrower have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds, may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

**State Taxes**

In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is exempt from California personal income taxes.

**Certain Federal Tax Information General**

*General*

The following is a discussion of certain federal income tax matters under existing statutes. It does not purport to deal with all aspects of federal taxation that may be relevant to particular investors. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds.

*Alternative Minimum Tax*

The Code imposes an alternative minimum tax on individuals and corporations on alternative minimum taxable income. Alternative minimum taxable income is taxable income of the taxpayer as determined under the regular tax for the taxable year increased by certain items of tax preference and modified by certain adjustments. Interest on the Bonds is treated as an item of tax preference for purposes of calculating alternative minimum taxable income and is therefor subject to the alternative minimum tax imposed on individuals and corporations.

*Social Security and Railroad Retirement Payments*

The Code provides that interest on tax exempt obligations, such as interest on the Bonds, is included in the calculation of modified adjusted gross income in determining whether a portion of social security or railroad retirement benefits are to be included in a taxpayer's gross income during a taxable year.

*Branch Profits Tax*

The Code imposes a tax on branches of foreign corporations doing business in the United States. The tax is equal to 30% of the dividend equivalent amount, which is equal to the foreign corporation's effectively connected earnings and profits modified by certain adjustment& Earnings and profits which

are attributable to income effectively connected with a United States trade or business includes interest on obligations which is exempt from tax, such as interest on the Bonds.

*Borrowed Funds*

The Code provides that interest on indebtedness incurred or continued to purchase or carry tax exempt obligations during a tax year is not deductible. Under rules used by the Internal Revenue Service for determining when indebtedness is considered used for the purpose of purchasing or carrying particular assets, the purchase of tax exempt obligations may be considered to have been made with indebtedness even though the indebtedness is not directly traceable to the purchase of such tax-exempt obligations.

*Financial Institutions*

The Code provides that with respect to commercial banks, thrift institutions and certain other financial institutions, no deduction is allowed for the portion of taxpayer's interest expense allocable to tax exempt obligations acquired after August 7, 1986. The allocation of the taxpayer's interest expense is based on the ratio of the adjusted bases of tax-exempt obligations acquired after August 7, 1986 and the adjusted bases of all assets of the taxpayer. Certain "qualified tax-exempt obligations" are treated as acquired on August 7, 1986 for purposes of allocating interest expense regardless of the actual date of acquisition. The Bonds are not considered qualified tax-exempt obligations for this purpose.

*Property and Casualty Insurance Companies*

The Code provides property and casualty insurance companies with a deduction for losses incurred during the taxable year on insurance contracts. The deduction is reduced (in certain cases below zero) by a specified percentage of, among other things, tax exempt interest received or accrued during the taxable year and the aggregate amount of certain deductions otherwise allowed.

*S Corporations*

The Code imposes a tax on S corporations which have Subchapter C earnings and profits and passive investment income which totals more than 25% of gross receipts. Passive investment income includes interest on tax exempt obligations, such as the Bonds.

## UNDERWRITING

J.P. Morgan Securities Inc. (the "Underwriter") has agreed, subject to certain conditions, to purchase the Bonds from the Issuer at a price of the original principal amount thereof. The obligation of the Underwriter to purchase the Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement entered into among the Issuer, the Borrower and the Underwriter. The Underwriter will receive a fee of $19,840 for underwriting the Bonds and will be reimbursed for fees and expenses in connection therewith not to exceed $8,717, in each case payable from moneys other than Bond proceeds.

## RATINGS

Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("S&P") has assigned ratings of "AAA/A-1+" to the Bonds based on the Credit Facility. Certain information was supplied by the Borrower to such rating agency to be considered in evaluating the Bonds. Such ratings express only the views of S&P. An explanation of the significance of the ratings may be obtained from S&P at 55 Water Street, New York, New York 10041. There is no assurance that such ratings 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. None of the Issuer, the Underwriter or the Borrower has undertaken any responsibility to bring to the attention of the Holders of the Bonds any proposed downward revision or withdrawal of one or both ratings 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.

## CERTAIN LEGAL MATTERS

The issuance of the Bonds is subject to the delivery of the legal opinion of Jones & Hall, A Professional Corporation, San Francisco, California, Bond Counsel, with respect to legal matters incident to the authorization, issuance, sale and delivery of the Bonds. The proposed form of such opinion is included in this Official Statement as Appendix C. Certain legal matters will be passed on for the Issuer by its special counsel, Chapman and Cutler LLP, San Francisco, California, for Freddie Mac by the office of its Legal Department and its special counsel, Ballard Spahr LLP, Washington, D.C., for the Borrower by its counsel, Greenberg Traurig, LLP, Philadelphia, Pennsylvania and for the Underwriter by its counsel, Kutak Rock LLP, Omaha, Nebraska.

## ABSENCE OF LITIGATION

### The Borrower

There is no controversy or litigation of any nature now pending for which the Borrower has received service of process or, of which it has knowledge, threatened (a) which contests or otherwise affects the Bond Documents or the transactions contemplated thereby, or (b) wherein an unfavorable decision, ruling or finding would materially adversely affect the Borrower's financial condition or operations or the validity of the authorization, execution, delivery or performance by the Borrower under the Financing Agreement, the Remarketing Agreement or any Bond Mortgage Loan Document.

### The Issuer

At the time of sale and delivery of the Bonds, the Issuer will deliver a certificate to the effect that there is no litigation or proceedings pending against it or, to its knowledge, threatened against it seeking to enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting the legality of the Bonds or the powers of the Issuer or its authority with respect to the Bonds, the Indenture or the Financing Agreement.

## MISCELLANEOUS

None of the Issuer, the Borrower, the Underwriter, the Remarketing Agent or Freddie Mac has undertaken to provide any financial or other information to any registered owner or prospective purchaser of the Bonds, except as described herein. The absence of such information may have an adverse effect on the price of the Bonds in the secondary market.

The 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 Borrower.

## APPENDIX A

## DEFINITIONS OF CERTAIN TERMS

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

"Act" means Chapter 5 of Division 7 of Title 1 of the California Government Code, in accordance with Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code, as such provisions may hereafter be amended.

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

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

"Alternate Credit Facility Provider" means the provider of an Alternate Credit Facility.

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

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

"Bond Counsel" means (i) on the Delivery Date, the law firm or law firms delivering the approving opinion(s) with respect to the Bonds, or (ii) any other firm of attorneys selected by the Issuer that is experienced in matters relating to the issuance of obligations by states and their political subdivisions that is listed as municipal bond attorneys in The Bond Buyer's Municipal Marketplace and is acceptable to the Borrower and the Credit Facility Provider.

"Bond Fee Component" means the regular, ongoing fees due from time to time to the Issuer, the Trustee, the Remarketing Agent, the Tender Agent, the Custodian and the Rebate Analyst, if any, expressed as a flat, fixed amount or in terms of a percentage of the principal amount of Outstanding Bonds (including Purchased Bonds) on an annual basis. The Bond Fee Component shall not include any increase in the Remarketing Agent Fee resulting from a failure to timely replace a resigning Remarketing Agent.

"Bond Financing Documents" means, collectively, the Indenture, the Bonds, the Financing Agreement, the Remarketing Agreement, the Certificate as to Arbitrage, Certificate Regarding Use of Proceeds and any Bond Mortgage Loan Documents not otherwise included in the foregoing list of documents.

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

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

"Bond Mortgage" means the Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, together with all riders and addenda thereto, granting a first priority mortgage and security interest in the Project to the Trustee, to secure the repayment of the Bond Mortgage Loan, as the same may be amended, supplemented or restated.

"Bond Mortgage Loan" means the loan made by the Issuer to the Borrower in the original principal amount of $9,920,000 pursuant to the Financing Agreement.

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

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

"Bond Mortgage Note" means the Bond Mortgage Note, dated the Delivery Date from the Borrower, including all riders and addenda thereto, evidencing the Borrower's obligation to repay the Bond Mortgage Loan, as the same may be amended, supplemented or restated from time to time, which Bond Mortgage Note will be delivered to the Issuer and endorsed by the Issuer to the Trustee.

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

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

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

"Bond Resolution" means the resolution adopted by the Issuer authorizing the issuance of the Bonds.

"Bond Year" means, with respect to an issue of Bonds, each one-year period that ends at the close of business on the day in the calendar year that is selected by the Borrower as indicated in the Tax Certificate. The first and last Bond Years may be short period. If no day is selected by the Borrower before the earlier of the final maturity of an issue of Bonds or the date that is five years after the Delivery Date of such issue of Bonds, each Bond Year ends on each anniversary of the Delivery Date for such issue of Bonds and on the final maturity of such issue of Bonds.

"Borrower Documents" means the Bond Documents, the Bond Mortgage Loan Documents and the Reimbursement Security Documents.

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

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

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

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

"Cost of Issuance Fund" means the Cost of Issuance Fund established by the Trustee pursuant to the Indenture.

"Credit Enhancement Agreement" means the Credit Enhancement Agreement dated as of March 1, 2010, between Freddie Mac and the Trustee, as such Credit Enhancement Agreement may from time to time be amended or supplemented.

"Credit Facility" means the Credit Enhancement Agreement or any Alternate Credit Facility at that time in effect.

"Credit Facility Provider" means, so long as the Credit Enhancement Agreement is in effect, Freddie Mac, or so long as any Alternate Credit Facility is in effect, the Credit Facility Provider then obligated pursuant to the Alternate Credit Facility.

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

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

"Custodian" means Wells Fargo Bank, National Association, not in its individual capacity but solely in its capacity as collateral agent for the Credit Facility Provider under the Pledge Agreement, and any successor in such capacity.

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

"Eligible Funds" means (i) remarketing proceeds received from the Remarketing Agent or any purchaser (other than funds provided by the Borrower, any general partner, member or guarantor of the Borrower or the Issuer), (ii) proceeds received pursuant to the Credit Facility, (iii) proceeds of the Bonds received contemporaneously with the issuance and sale of the Bonds (including any Bond proceeds deposited to the Bond Mortgage Loan Fund on the Delivery Date), (iv) proceeds from the investment or reinvestment of money described in clauses (i), (ii) or (iii) above, or (v) money delivered to the Trustee and accompanied by a written opinion of nationally recognized counsel experienced in bankruptcy matters to the effect that if the Borrower, any general partner, member or guarantor of the Borrower, or the Issuer were to become a debtor in a proceeding under the Bankruptcy Code: (A) payment of such money to holders of the Bonds would not constitute a voidable preference pursuant to Section 547 of the Bankruptcy Code and (B) the automatic stay provisions of Section 362(a) of the Bankruptcy Code would not prevent the application of such money to the payment of the Bonds.

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

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

"Extraordinary Servicing Fees and Expenses" means all fees and expenses of the Servicer under the Guide during any Bond Year in excess of Ordinary Servicing Fees and Expenses.

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

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (a) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (b) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (c) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (d) any commingled investment fund in which the Issuer and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of investment.

"Financing Agreement" means the Financing Agreement dated as of March 1, 2010, among the Borrower, the Issuer and the Trustee, as such Financing Agreement may from time to time be amended or supplemented.

"Fixed Rate" means the interest rate borne by the Bonds from and after the Fixed Rate Adjustment Date to the maturity date of the Bonds, determined in accordance with the Indenture.

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

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

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

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

"Freddie Mac Credit Enhancement Fee" shall have the meaning given to that term in the Credit Enhancement Agreement.

"Freddie Mac Credit Enhancement Payment" shall have the meaning given to that term in the Reimbursement Agreement.

"Freddie Mac Reimbursement Amount" shall have the meaning given to that term in the Reimbursement Agreement.

"Government Obligations" means investments meeting the requirements of clauses (a) or (b) of the definition of "Qualified Investments" therein.

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

"Guide" means, the Freddie Mac Delegated Underwriting for Targeted Affordable Housing Guide and the Freddie Mac Multifamily Seller/Servicer Guide (as applicable), as the same may be amended, modified or supplemented from time to time.

"Indenture" means the Trust Indenture, as the same may have been from time to time amended or modified, together with any other indentures supplemental thereto.

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

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

"Intercreditor Agreement" means the Intercreditor Agreement, dated as of March 1, 2010, among the Issuer, the Trustee and Freddie Mac, as the same may be amended or supplemented.

"Interest Requirement" means (i) during the Variable Rate Period, 35 days' interest computed at the Maximum Rate and (ii) during a Reset Period or the Fixed Rate Period, 189 days' interest computed at

the Reset Rate or the Fixed Rate, as applicable, or in the case of either (i) or (ii), such greater or lesser number of days as is acceptable to the Rating Agency (as confirmed in writing by the Rating Agency).

"Investment Income" means the earnings and profits derived from the investment of money pursuant to the Indenture.

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

"Market Risk Event" means (a)(i) legislation enacted by the Congress, (ii) a final non-appealable decision rendered by a court established under Article III of the Constitution of the United States, or the United States Tax Court, or (iii) an order, ruling or regulation issued by the United States Department of the Treasury or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of causing interest received by any Bondholder (other than a Bondholder who is a "substantial user" of the Project or a "related person" of a substantial user (each within the meaning of Section 147(a) of the Code)) to be included in the gross income of such Bondholder for purposes of federal income taxation; or (b) legislation enacted or any action taken by the Securities and Exchange Commission which, in the opinion of counsel to the Remarketing Agent, has the effect of requiring the remarketing of the Bonds to be registered under the Securities Act of 1933, as amended (the "Securities Act"), or any other "security," as defined in the Securities Act, issued in connection with or as part of the remarketing of the Bonds to be so registered or the Indenture to be qualified as an indenture under the Trust Indenture Act of 1939, as amended; or (c) any event shall have occurred or shall exist which, in the reasonable judgment of the Remarketing Agent, makes or has made untrue or incorrect in any material respect any statement or information contained in a reoffering circular or other disclosure document distributed in connection with the Fixed Rate Adjustment or Reset Adjustment Date or is not or was not reflected in such reoffering circular or other disclosure document but should be or should have been reflected therein in order to make the statements or information contained therein not misleading in any material respect; or (d) in the reasonable judgment of the Remarketing Agent, any event which makes it impractical or inadvisable for the Remarketing Agent to remarket or enforce agreements to remarket Bonds because trading in securities generally shall have been suspended on the New York Stock Exchange, Inc., or a general banking moratorium shall have been established by federal, New York or State authorities.

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

"Moody's" means Moody's Investors Service, Inc., and its successors and assigns, if such successors and assigns continue to perform the services of a securities rating agency.

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

"Optional Tender Date" has the meaning set forth in the Indenture.

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

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

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

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

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

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

"Pledge Agreement" means the Pledge, Security and Custody Agreement dated as of March 1, 2010 by and among Freddie Mac, the Custodian and the Borrower, as originally executed or as modified or amended from time to time, together with any similar agreement executed in connection with an Alternate Credit Facility, as originally executed or as amended or modified from time to time.

"Principal Reserve Fund" means the Principal Reserve Fund established pursuant to the Indenture.

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

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

"Purchase Price" with respect to any Bond required to be purchased pursuant to the Indenture, means the principal amount of such Bond plus interest accrued thereon to the Settlement Date and with respect to any Bond to be purchased pursuant to the Indenture means the principal amount of such Bond plus any redemption premium due thereon plus interest accrued thereon to the Settlement Date.

"Purchased Bond" means any Bond during the period from and including the date of its purchase by the Trustee on behalf of the Borrower with amounts provided by the Credit Facility Provider under the Credit Facility, to, but excluding, the date on which such Bond is (a) remarketed to any Person other than the Credit Facility Provider, the Borrower, any general partner, member or guarantor of the Borrower or the Issuer, or (b) redeemed or otherwise cancelled.

"Qualified Investments" means any of the following if and to the extent permitted by law: (a) direct and general obligations of the United States of America; (b) obligations of any agency or instrumentality of the United States the payment of the principal of and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America; (c) senior debt obligations of Freddie Mac; (d) senior debt obligations of the Federal National Mortgage Association ("Fannie Mae"); (e) demand deposits or time deposits with, or certificates of deposit issued by, the Trustee or its affiliates or any bank organized pursuant to the laws of the United States or any state or the District of Columbia which has combined capital, surplus and undivided profits of not less than $50,000,000; provided that the Trustee or such other institution has been rated at least "A-1+" by S&P which deposits or certificates are fully insured by the Federal Deposit Insurance Corporation or collateralized pursuant to the requirements of the Office of the Comptroller of the Currency; (f) investment agreements with Freddie Mac or a bank or any insurance company or other financial institution which has a rating assigned by S&P to its outstanding long-term unsecured debt which is the highest rating (as defined below) for long-term unsecured debt obligations assigned by S&P, and which are approved by the Credit Facility Provider; (g) shares or units in any money market mutual fund (including mutual funds of the Trustee or its affiliates or for which the Trustee or an affiliate thereof serves as investment advisor or provides other services to such mutual fund receives reasonable compensation therefor) registered pursuant to the Investment Company Act of 1940, as amended, whose investment portfolio consists solely of (A) direct obligations of the United States government, or (B) tax exempt obligations and which fund has been rated "AAA" by S&P; or (h)(i) tax-exempt obligations rated in the highest short term rating category by Moody's or S&P, or (ii) shares of a tax-exempt municipal money market mutual fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the federal Securities Act of 1933, having assets of at least $100,000,000, and having a rating of "AAA" by the Rating Agency, for which at least 95% of the income paid to the holders on interest in such money market funds for which the Trustee or its affiliates receive a fee for investment advisory or other services to the fund; or (i) any other investments approved in writing by the Credit Facility Provider. For purposes of this definition, the "highest rating"

shall mean a rating of at least "A-1+" for obligations with less than one year maturity; at least "AAA"/ "A-1+" for obligations with a maturity of one year or greater but less than three years; and at least "AAA" for obligations with a maturity of three years or greater. Qualified Investments must be limited to instruments that have a predetermined fixed-dollar amount of principal due at maturity that cannot vary or change and interest, if tied to an index, shall be tied to a single interest rate index plus a single fixed spread, if any, and move proportionately with such index.

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

"Rebate Analyst" means a certified public accountant, financial analyst or bond counsel, or any firm of the foregoing, or financial institution (which may include the Trustee) experienced in making the arbitrage and rebate calculations required pursuant to Section 148 of the Code, selected and retained by the Borrower at the expense of the Borrower, to make the computations required pursuant to the Indenture and the Financing Agreement.

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

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

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

"Reimbursement Agreement" means the Reimbursement and Security Agreement dated as of March 1, 2010 between the Borrower and Freddie Mac, as the same may be amended, supplemented or restated from time to time, and upon the effectiveness of any Alternate Credit Facility, any similar agreement between the Borrower and the Alternate Credit Facility Provider pursuant to which the Borrower agrees to reimburse the Alternate Credit Facility Provider for payments made under the Alternate Credit Facility, as such agreement may be amended, supplemented or restated from time to time.

"Reimbursement Mortgage" means the Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing from the Borrower to Freddie Mac, together with all riders and addenda thereto, granting a second priority mortgage and security interest in the Project to Freddie Mac to secure the obligations of the Borrower under the Reimbursement Agreement and all documents related thereto, and upon the effectiveness of any Alternate Credit Facility, any similar mortgage, deed of trust, deed to secure debt, security interest or other lien or encumbrance granting a mortgage and security interest in the Project to the Alternate Credit Facility Provider to secure similar obligations of the Borrower to the Alternate Credit Facility Provider, as the same may be amended, supplemented or restated from time to time.

"Reimbursement Security Documents" has the meaning given to that term in the Reimbursement Agreement.

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

"Requisition" means the requisition in the form attached to the Indenture required to be submitted in connection with disbursements from the Cost of Issuance Fund.

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

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

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

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

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

"Revenues" means (i) all payments made with respect to the Bond Mortgage Loan pursuant to the Financing Agreement, the Bond Mortgage Note or the Bond Mortgage, including all casualty or other insurance benefits and condemnation awards paid in connection therewith (subject in all events to the interests of the Credit Facility Provider therein under the terms of the Credit Facility and the Reimbursement Security Documents), (ii) payments made by the Credit Facility Provider pursuant to the Credit Facility and (iii) all money and securities held by the Trustee in the funds and accounts established pursuant to the Indenture (excluding money or securities in the Cost of Issuance Fund, the Administration Fund, the Bond Purchase Fund, the Principal Reserve Fund and the Rebate Fund), together with all investment earnings thereon. Principal Reserve Schedule Payments shall not constitute Revenues under the Indenture.

"Securities Depository" means (i) The Depository Trust Company, New York, New York; or (ii) any replacement registered securities depository which has been designated in a certificate of the Issuer delivered to the Trustee and the Credit Facility Provider pursuant to the Indenture.

"Servicer" means the eligible servicing institution designated by Freddie Mac from time to time (which may be Freddie Mac if Freddie Mac elects to service the Bond Mortgage Loan), or its successor, as servicer of the Bond Mortgage Loan. Initially, the Servicer shall be DB Mortgage Services, Inc.

"Settlement Date" means any date on which any Bond purchased or deemed purchased pursuant to the Indenture.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns, if such successors and assigns continue to perform the services of a securities rating agency.

"State" means the State of California.

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

"Tax Certificate" means the Certificate as to Arbitrage executed by the Issuer and the Borrower on the Delivery Date, together with the Certificate Regarding Use of Proceeds executed by the Borrower on the Delivery Date.

"Tax Regulatory Agreement" means the Amended and Restated Regulatory Agreement and Declaration of Restrictive Covenants dated March 1, 2010 among the Issuer, the Trustee and the Borrower.

"Tender Agent" means the Tender Agent appointed in accordance with the Indenture.

"Tender Notice" means a notice of demand for purchase of Bonds given by any Bondholder in accordance with the Indenture.

"Trustee" means Wells Fargo Bank, National Association, and its successors in trust under the Indenture.

"Trust Estate" shall have the meaning given to that term in the Indenture.

"Unassigned Rights" means all of the rights of the Issuer and its directors, officers, commissioners, elected officials, attorneys, accountants, employees, agents and consultants to be held harmless and indemnified, to be paid its fees and expenses to give or withhold consent to amendments, changes, modifications and alterations, to receive notices and the right to enforce such rights.

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

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

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

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

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

"Very Low Income Tenants" means individuals or families with an Adjusted Income which does not exceed fifty percent (50%) of the Median Income for the Area, adjusted for household size. In no event, however, shall the occupants of a residential unit be considered to be Very Low Income Tenants if all the occupants are students, as defined in Section 151(c)(4) of the Code, as such may be amended, no one of whom is entitled to file a joint federal income tax return.

"Very Low Income Units" means the dwelling units in the Project designated for occupancy by Very Low Income Tenants pursuant to Section 4(a) of the Regulatory Agreement.

# APPENDIX B

# FORM OF CREDIT ENHANCEMENT AGREEMENT

Direct Pay/Variable Rate Form
FHLMC Loan No.: 968720544

# CREDIT ENHANCEMENT AGREEMENT

**between**

**FEDERAL HOME LOAN MORTGAGE CORPORATION**

**and**

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

**Relating to a**
**Bond Mortgage Loan**
**Securing**

**$9,920,000**
**ABAG Finance Authority for Nonprofit Corporations**
**Variable Rate Demand Multifamily Housing Revenue Refunding Bonds**
**(Acton Courtyard Apartments Project)**
**2010 Series A**

**Dated as of March 1, 2010**

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## CREDIT ENHANCEMENT AGREEMENT

**THIS CREDIT ENHANCEMENT AGREEMENT** (this "**Agreement**") made and entered into as of March 1, 2010, by and between the **FEDERAL HOME LOAN MORTGAGE CORPORATION** ("**Freddie Mac**"), a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States, and **WELLS FARGO BANK, NATIONAL ASSOCIATION** (the "**Trustee**"), a national banking association duly organized and existing under the laws of the United States of America, in its capacity as Trustee under a Trust Indenture dated as of even date herewith (the "**Indenture**"), between the **ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS** (the "**Issuer**") and the Trustee,

**WITNESSETH:**

**WHEREAS**, pursuant to the Indenture, the Issuer has determined to issue its Variable Rate Demand Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Acton Courtyard Apartments Project) 2010 Series A (the "**Bonds**") in the original aggregate principal amount of $9,920,000; and

**WHEREAS**, pursuant to the Financing Agreement dated as of even date herewith (the "**Financing Agreement**") among the Issuer, the Trustee and EQR-Acton Berkeley Limited Partnership, a Delaware limited partnership (the "**Owner**"), the Issuer has agreed to use the proceeds of the sale of Bonds to make a mortgage loan in the principal amount of $9,920,000 (the "**Bond Mortgage Loan**") to the Owner to refinance the Project described therein; and

**WHEREAS**, the Owner has agreed to use the proceeds of the Bond Mortgage Loan to refund on a current basis the Prior Bonds specified in the Indenture and thereby refinance the Project; and

**WHEREAS**, the Owner's repayment obligations in respect of the Bond Mortgage Loan will be evidenced by a Bond Mortgage Note dated March 1, 2010 (together with all riders and addenda thereto, the "**Bond Mortgage Note**") delivered upon the order of the Issuer to the Trustee; and

**WHEREAS**, in connection with the Bond Mortgage Loan and the issuance of the Bonds secured thereby, the Owner has requested that Freddie Mac enter into with the Trustee this Agreement, which permits the Trustee to make (i) draws in an amount equal to Guaranteed Payments with respect to the Bond Mortgage Loan and (ii) liquidity draws to the extent remarketing proceeds are insufficient to pay the Purchase Price of the Bonds (other than Purchased Bonds) while the Bonds bear interest at a Variable Rate; and

**WHEREAS**, to evidence the Owner's reimbursement obligations to Freddie Mac for draws made hereunder, the Owner and Freddie Mac have entered into a Reimbursement and Security Agreement dated as of even date herewith (the "**Reimbursement Agreement**"); and

**WHEREAS**, to secure the Owner's obligations under the Bond Mortgage Note, the Owner has executed and delivered for the benefit of the Issuer a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of March 1, 2010 (the "**Bond Mortgage**") with respect to the Project which Bond Mortgage will be assigned by the Issuer to the Trustee; and

**WHEREAS**, to secure the Owner's reimbursement obligations to Freddie Mac under the Reimbursement Agreement, the Owner has executed and delivered for the benefit of Freddie Mac a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of March 1, 2010 (the "**Reimbursement Mortgage**") with respect to the Project; and

**WHEREAS**, the Issuer, the Trustee and Freddie Mac have also entered into an Intercreditor Agreement dated as of even date herewith (the "**Intercreditor Agreement**") in connection with Freddie Mac's provision of credit enhancement; and

**WHEREAS**, DB Mortgage Services, Inc. (the "**Servicer**") will act as initial servicer for the Bond Mortgage Loan; and

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

## ARTICLE I

## DEFINITIONS AND INTERPRETATION

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

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

*"Available Amount"* means, at any time, an amount equal to the aggregate principal amount of Bonds Outstanding (initially, $9,920,000) plus an amount equal to the accrued interest on the Bonds Outstanding for up to 35 days at the Maximum Interest Rate during the Variable Period, and up to 189 days at the Reset Rate or the Fixed Rate during any Reset Period or Fixed Rate Period, as the case may be, computed, during the period when the Bonds bear interest at the Variable Rate, on the basis of the actual days elapsed and a 365- or 366-day year, and computed, during the period when the Bonds bear interest at a Reset Rate or Fixed Rate, on the basis of a 360-day year of twelve (12) thirty (30) day months, in each instance as reduced by that amount, if any, previously provided by Freddie Mac to the Trustee for payment of the Guaranteed Payment or to enable the Trustee to purchase Purchased Bonds, such reduction to be in an amount equal to

(i) in the case of payment of a Guaranteed Payment, 100% of the amount of such payment and (ii) in the case of the purchase of Purchased Bonds, 100% of the principal amount of such Purchased Bonds plus the accrued interest, if any, paid with respect to such Purchased Bonds. Following any provision of funds under this Agreement, the amount provided (and the amount by which the Available Amount is reduced) shall be reinstated only as provided in Sections 3.1(a) (iv) and 3.1(b) (iv).

*"Bonds"* means the Issuer's Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Acton Courtyard Apartments Project) 2010 Series A issued in the original principal amount of $9,920,000.

*"Bond Mortgage"* means the Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of March 1, 2010, together with all riders and addenda thereto, from the Owner for the benefit of the Issuer, securing payment of the Bond Mortgage Loan which Bond Mortgage shall be assigned by the Issuer to the Trustee, as such Bond Mortgage may from time to time be amended, supplemented or restated.

*"Bond Mortgage Loan"* means the mortgage loan in the original amount of $9,920,000 made by the Issuer to the Owner pursuant to the Financing Agreement, as evidenced by the Bond Mortgage Note and secured by the Bond Mortgage.

*"Bond Mortgage Note"* means the promissory note dated March 1, 2010, from the Owner to the Issuer, and endorsed by the Issuer to the Trustee in the principal amount of $9,920,000, together with all riders and addenda thereto, evidencing the Bond Mortgage Loan, as such Bond Mortgage Note may from time to time be amended, supplemented or restated.

*"Bond Mortgage Payment Date"* means (i) each Interest Payment Date (as defined in the Indenture) while the Bond Mortgage Loan is outstanding, commencing April 1, 2010 and (ii) any other date on which principal of the Bond Mortgage Note is paid.

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

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

*"Custodian"* means Wells Fargo Bank, National Association, not in its individual capacity but solely in its capacity as collateral agent for Freddie Mac, and any successor thereto in such capacity.

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

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

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

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

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

*"Freddie Mac Trustee E-mail Account"* means the Freddie Mac established e-mail account for receipt of notices, inquires and other communications from bond trustees. The e-mail address for the Freddie Mac Trustee E-mail Account is MFLA_Trustees@freddiemac.com or such other e-mail address as Freddie Mac may designate from time to time.

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

*"Guaranteed Payment"* is defined within the definition of Required Bond Mortgage Payment herein.

*"Guide"* means the Freddie Mac Multifamily Seller/Servicer Guide, as amended, modified or supplemented from time to time.

*"Indenture"* means that certain Trust Indenture dated as of even date herewith between the Issuer and the Trustee pursuant to which the Bonds are issued and secured, as the same may be amended, supplemented or restated from time to time.

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

*"Issuer"* means the ABAG Finance Authority for Nonprofit Corporations, and its successors.

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

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

*"Liquidity Use Fee"* shall have the meaning set forth in the Reimbursement Agreement.

*"Maximum Interest Rate"* means twelve percent (12.00%) per annum.

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

*"Owner"* means EQR-Acton Berkeley Limited Partnership, a Delaware limited partnership, and any permitted successor to or assignee of its rights and obligations under the Bond Financing Documents.

*"Pledge Agreement"* means the Pledge, Security and Custody Agreement dated as of even date herewith among the Owner, the Custodian and Securities Intermediary and Freddie Mac, as the same may be amended, supplemented or restated from time to time.

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

*"Purchased Bond"* means any Bond during the period from and including the date of its purchase by the Trustee on behalf of the Owner with amounts provided by Freddie Mac under this Agreement, to, but excluding, the date on which such Bond is remarketed to any person other than Freddie Mac, the Owner, any general partner, member or guarantor of the Owner or the Issuer.

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

*"Reimbursement Agreement"* means the Reimbursement and Security Agreement dated as of even date herewith between the Owner and Freddie Mac, as the same may be amended, supplemented or restated from time to time.

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

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

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

*"Servicer"* means the eligible servicing institution designated by Freddie Mac from time to time (which may be Freddie Mac if Freddie Mac elects to service the Bond Mortgage Loan), or its successor, as servicer of the Bond Mortgage Loan. Initially, the Servicer shall be DB Mortgage Services, Inc.

*"State"* means the State of California.

*"Termination Date"* means the first to occur of (a) the date the Bonds shall have been paid in full, (b) the date all of the Bonds shall have been purchased in accordance with the provisions of Section 3.2, (c) August 6, 2029, (d) the date on which the Trustee, after having received sufficient funds to redeem all of the Bonds Outstanding in accordance with the terms of the Indenture, shall have released the lien of the Indenture and shall have paid to Freddie Mac all amounts required to be paid under the Indenture, the Financing Agreement, the Reimbursement Agreement, this Agreement and any other Bond Financing Document, and (e) the day immediately following the effective date of any Alternate Credit Facility.

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

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

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

## ARTICLE II

## REPRESENTATIONS

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

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

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

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

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

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

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

## ARTICLE III

## CREDIT ENHANCEMENT AND LIQUIDITY

**Section 3.1.** ***Credit Enhancement Payments and Liquidity Payments.***

(a) (1) On each Bond Mortgage Payment Date, a portion of the Available Amount in an amount not to exceed the aggregate principal amount of the Bonds Outstanding (initially $9,920,000) is available for the payment of the Principal Component of the Guaranteed Payment and a portion of the Available Amount in an amount not to exceed the accrued interest on the Bonds Outstanding for up to 35 days at the Maximum Interest Rate during the Variable Period and up to 189 days at the Reset Rate or the Fixed Rate during any Reset Period or Fixed Rate Period, as the case may be (calculated as provided in the definition of Available Amount), is available for the payment of the Interest Component of the Guaranteed Payment, subject to reduction and reinstatement as provided in Section 3.1(a)(iv). Funds shall be made available to the Trustee for such payment against delivery by the Trustee of a demand for payment (each a "Draw Request"). Until Freddie Mac provides the Trustee with written or electronic notice to the contrary, the Trustee shall deliver Draw Requests to Freddie Mac using the Wire Request System. If, for any reason, the Trustee is unable to deliver a Draw Request electronically for processing a payment using the Wire Request System, the Trustee shall notify Freddie Mac immediately via the Freddie Mac Trustee Hotline and Freddie Mac Trustee E-mail Account and deliver that Draw Request by facsimile or electronic transmission, immediately confirmed by overnight delivery service, of a Notice, in the form set forth in ***Exhibit A-1*** hereto, to Freddie Mac at (571) 382-4798, if by facsimile transmission, or the Freddie Mac Trustee E-mail Account, if by electronic transmission (or to such other facsimile number or e-mail address or using such other means of electronic or telephonic communication as Freddie Mac shall designate in writing); provided that Freddie Mac may waive in writing the requirement of confirmation by overnight delivery service. If a Draw Request is made in strict conformity with the terms and conditions hereof, payment shall be made to the Trustee in immediately available funds (A) if such Draw Request is received by Freddie Mac by 12:00 Noon (Washington, D.C. time) on any Business Day, not later than 2:00 p.m. (Washington, D.C. time) on the next Business Day, and (B) if such Draw Request is so received after 12:00 Noon (Washington, D.C. time) on any Business Day, not later than 2:00 p.m. (Washington, D. C. time) on the second succeeding Business Day.

(i) Notwithstanding any other provision of this Agreement, Freddie Mac shall have no obligation under any circumstance to make a Freddie Mac Credit Enhancement Payment or any other payment under this Agreement with respect to any prepayment premium or other prepayment charge payable on the Bond Mortgage Loan or due under the Bond Mortgage Note (or which may in any way relate to the Bonds, including any redemption premium on the Bonds), any reserve funds that are funded from Bond proceeds, any negative arbitrage or investment losses with respect to reserve amounts held by the Trustee under the Indenture, and Freddie Mac's obligation with respect to the payment of interest under this Section is limited to the Interest Component of the related Guaranteed Payment. In no event shall Freddie Mac be obligated to make a payment under Section 3.1(a) in excess of the Guaranteed Payment. The

provisions of this Paragraph (a)(ii) shall in no way affect the obligation of Freddie Mac to make payment of principal to the extent elsewhere provided in this Section.

(ii) To the extent there are Purchased Bonds, Freddie Mac shall have no obligation under any circumstance to make a Freddie Mac Credit Enhancement Payment with respect to that portion of the Required Bond Mortgage Payments allocable to amounts owed on Purchased Bonds.

(iii) Upon a payment under this Agreement, the Available Amount and the amount thereof available (A) for the payment of the Principal Component of the Guaranteed Payment, shall be automatically reduced by an amount equal to the amount of such payment for such purpose and (B) for the payment of the Interest Component of the Guaranteed Payment, shall be automatically reduced by an amount equal to the amount of such payment for such purpose. The obligation of Freddie Mac to pay the Principal Component of the Guaranteed Payment shall not be reinstated. The obligation of Freddie Mac to pay the Interest Component of the Guaranteed Payment shall be reinstated, up to the maximum amount set forth in Section 3.1(a)(i) for such purpose, automatically on the day following the provision of funds by Freddie Mac for payment of such Interest Component.

(b) (2) If on any Settlement Date, the Remarketing Agent is unable to remarket any or all of the Bonds tendered for purchase on such Settlement Date, Freddie Mac shall be obligated to pay to the Trustee in immediately available funds, not later than 2:00 p.m., Washington, D.C. time, on the Settlement Date, the Purchase Price of such tendered Bonds. The obligation of Freddie Mac to make such payment is subject to the condition precedent that Freddie Mac (A) shall have timely received from the Trustee or the Tender Agent, as the case may be, and the Remarketing Agent, all notices required to be delivered to Freddie Mac pursuant to Section 10.03 of the Indenture, and (B) shall have received not later than 11:00 a.m., Washington D.C. time, on the Settlement Date, (1) a Draw Request, and (2) an e-mail from the Trustee to the Freddie Mac Trustee E-mail Account notifying Freddie Mac that the Draw Request on such date is made pursuant to the Liquidity Commitment. Such Draw Request shall be made using the Wire Request System until Freddie Mac provides the Trustee with written or electronic notice to the contrary. If, for any reason, the Trustee is unable to deliver such Draw Request electronically using the Wire Request System, the Trustee shall immediately notify Freddie Mac via both the Freddie Mac Trustee Hotline and the Freddie Mac Trustee E-mail Account, and shall deliver such Draw Request, instead, in the form of ***Exhibit A-2*** by facsimile or electronic transmission, immediately confirmed by overnight delivery service, to Freddie Mac at (571) 382-4798, if by facsimile transmission, or the Freddie Mac Trustee E-mail Account, if by electronic transmission (or to such other facsimile number or e-mail address or using such other means of electronic or telephonic communication as Freddie Mac shall designate in writing). In no event shall the amount payable pursuant to this Section 3.1(b) exceed the Available Amount, nor shall any amounts payable hereunder be used to purchase Purchased Bonds.

(i) Any amount provided by Freddie Mac on a Settlement Date which is not used for such purpose or set aside for any undelivered Bonds shall be repaid immediately by the Trustee to Freddie Mac in immediately available funds.

(ii) The Trustee shall receive and hold all funds provided by Freddie Mac under this Agreement on account of the Purchase Price of Bonds in trust for the benefit of Freddie Mac and shall not disburse such funds to the Tender Agent until the tendered Bonds have been received by the Tender Agent. The Trustee shall, on the Settlement Date, on behalf of the Owner, cause Purchased Bonds to be registered in the name of the Custodian, until remarketed or redeemed, subject to the security interest provided for in Section 3.1(b)(v) of this Agreement and the Pledge Agreement.

(iii) The obligation of Freddie Mac to pay the Purchase Price of tendered Bonds shall be reinstated (a) automatically, when and to the extent that (1) Freddie Mac has received reimbursement in immediately available funds for the amount provided pursuant to this Agreement to pay all or a portion of the Purchase Price of tendered Bonds or has received written confirmation from the Tender Agent that the Tender Agent has received immediately available funds which it will immediately remit to Freddie Mac as reimbursement for the amount provided to pay all or a portion of the Purchase Price of tendered Bonds, and (2) the Tender Agent has delivered to Freddie Mac, by facsimile at (571) 382-4798 or electronic transmission via the Freddie Mac Trustee E-mail Account or to such other facsimile number, e-mail address, office or Freddie Mac employee as Freddie Mac shall designate by written notice to the Tender Agent (with confirmation of the facsimile or electronic transmission by (A) telephone call to the Freddie Mac Trustee Hotline or to such other number, office or Freddie Mac employee as Freddie Mac shall designate by written notice to the Tender Agent and (B) concurrently mailed original by first class mail, postage fully prepaid, to Multifamily Loan Accounting or to such other office or Freddie Mac employee as Freddie Mac shall designate by written notice to the Tender Agent), a certificate in the form attached to this Agreement as ***Exhibit B***, appropriately completed and executed by an officer of the Tender Agent or (b) at such time as and to the extent that Freddie Mac, in its discretion, advises the Trustee in writing that such reinstatement shall occur, it being understood that Freddie Mac shall have no obligation to grant any such reinstatement except as provided in clause (a).

(iv) Pursuant to the Pledge Agreement, Freddie Mac shall have a security interest (but no beneficial ownership interest) in Purchased Bonds and in the proceeds of Purchased Bonds including any proceeds upon a remarketing of Purchased Bonds.

(v) If, following an optional or mandatory tender of Bonds in accordance with Section 10.01 or Section 10.02 of the Indenture, the tendered Bonds have not been remarketed, but have been purchased by the Trustee on behalf of the Owner with funds provided by Freddie Mac to the Trustee under Section 3.1(b) of this Agreement and such Purchased Bonds have not been remarketed as of the ninetieth (90th) day following the date of such purchase, Freddie Mac shall have the right, at any time following such ninetieth (90th) day and provided that (a) the Bonds have not then been remarketed and (b) Freddie Mac has not then been reimbursed in full for the amounts advanced under this Agreement or, without regard to such reimbursement, Freddie Mac has not then been paid in full all fees and other amounts due to Freddie Mac, all in accordance with the Reimbursement Agreement, to (1) declare an Event of Default under (and as defined in) the Reimbursement Agreement or (2) terminate this Agreement and direct the Trustee to redeem the Bonds in accordance with Section 3.01(b)(ii) of the Indenture. In any of such events Freddie Mac shall pay the redemption price of all Bonds (other than Purchased Bonds) Outstanding.

(c) Payments required to be made pursuant to this Agreement shall be made from any source legally available to Freddie Mac, other than funds of the Owner or the Issuer.

(d) Amounts held in the Revenue Fund, the Redemption Fund and the Bond Fund established under the Indenture (representing Freddie Mac Credit Enhancement Payments, investment earnings thereon and other amounts permitted under the Indenture to be deposited in said Funds) shall be invested and reinvested by the Trustee, with the prior written consent of Freddie Mac, in accordance with the provisions of Section 4.08 of the Indenture. In the absence of Freddie Mac's prior written consent, the Trustee shall invest such amounts in Qualified Investments of the type described in clause (a), (b) or (g) of the definition of such term contained in the Indenture, which Qualified Investments in all events shall mature or be redeemable at par on the earlier of (a) six months from the date of investment (or such shorter period as may be required by the Indenture) or (b) the date such moneys are needed for the purposes for which they are held. Notwithstanding the foregoing or anything else contained in this Agreement or in the Indenture, Freddie Mac shall have no obligation to the Issuer, the Trustee or any holder of any Bond with respect to the failure to receive any payment under any investment made by the Trustee or any investment loss with respect to any such investment (irrespective of whether or not Freddie Mac shall have consented to such investment).

(e) This Agreement shall become effective upon its execution and delivery by Freddie Mac and the Trustee and shall cease to be in effect on the Termination Date. On the Liquidity Commitment Termination Date following the payment of any amounts due hereunder, (a) all obligations of Freddie Mac under Section 3.1(b) shall terminate and (b) all provisions of this Agreement relating to Freddie Mac's Liquidity Commitment shall cease to be applicable.

The Trustee hereby expressly acknowledges and agrees that Freddie Mac shall have no liability to the Trustee or to the Bondholders for any failure to make full and timely payment of principal or interest on the Bonds resulting from a deficiency of moneys therefor under the Indenture if the Trustee shall not have delivered, in the manner and at the time required by this Agreement, a Notice under Section 3.1 hereof or any other notice required in this Agreement as a condition precedent to payment thereunder by Freddie Mac.

**Section 3.2.** ***Right of Freddie Mac to Cause Redemption, Mandatory Tender or Acceleration of Bonds.***

(a) Subject to the provisions of the Indenture, Freddie Mac shall have the right to direct the Trustee to provide notice of redemption, purchase in lieu of redemption or mandatory tender of the Bonds to the extent and upon the terms described in the Indenture, provided that Freddie Mac agrees to honor a Notice given in accordance with this Agreement to pay to the Trustee the full redemption price or Purchase Price of the Bonds upon the redemption, purchase in lieu of redemption or mandatory tender thereof.

(b) If Freddie Mac pays the Purchase Price of tendered Bonds in accordance with Section 3.06 of the Indenture, subsequent to its date of purchase Freddie Mac or an entity designated by Freddie Mac in accordance with Section 3.06 of the Indenture, as the case may be, may on any day elect:

(i) to present all or a portion of such Bonds to the Trustee for cancellation pursuant to Section 3.07 of the Indenture;

(ii) to direct the Trustee to redeem all or a portion of such Bonds pursuant to Section 3.01(a)(ii) of the Indenture from the sources identified in that Section, in which case all or such portion of such Bonds shall be redeemed pursuant to Section 3.01(a)(ii) of the Indenture; or

(iii) upon fifteen days' prior notice to the Trustee and the Issuer, to deliver to the Trustee a written undertaking by Freddie Mac confirming its continuing obligations under this Agreement upon a remarketing of such Bonds pursuant to Section 10.10(d) of the Indenture.

(c) Freddie Mac shall have the right to cause an acceleration of the Bonds pursuant to Section 6.02 of the Indenture provided the conditions set forth therein have been satisfied. In such event, Freddie Mac shall pay to the Trustee the entire principal amount of the Bonds minus the principal amount of any Purchased Bonds, together with accrued interest thereon to the date of acceleration of the Bonds and may direct the cancellation of any such Purchased Bonds.

(d) Upon the payment by Freddie Mac of the redemption price or Purchase Price of the Bonds as provided in Sections 3.2(a), (b) or (c) all payment obligations of Freddie Mac under Section 3.1 with respect to such Bonds to the extent of such payment shall thereupon terminate, other than payment obligations becoming due and owing prior to the date of such payment.

**Section 3.3.** ***Nature of the Trustee's Rights.*** The right of the Trustee to receive payments from Freddie Mac pursuant to Sections 3.1 and 3.2 shall not be diminished by any rights of set-off, recoupment or counterclaim Freddie Mac might otherwise have against the Issuer, the Trustee, the Owner or any other person. Notwithstanding the foregoing, this Section 3.3 shall not be construed: to release the Trustee or the Issuer from any of their respective obligations hereunder or under the Indenture; except as provided in this Section, to prevent or restrict Freddie Mac from asserting any rights which it may have against the Issuer, the Trustee or the Owner under this Agreement, the Indenture, the Intercreditor Agreement, the Bond Mortgage Loan or any provisions of law; or to prevent or restrict Freddie Mac, at its own cost and expense, from prosecuting or defending any action or proceeding by or against the Issuer, the Trustee or the Owner or taking any other actions to protect or secure its rights; provided, however that any recovery against the Issuer is limited to amounts held under the Indenture.

**Section 3.4.** ***Adjustments to Required Bond Mortgage Payments and Guaranteed Payments.***

In connection with any partial principal prepayments of amounts owing under the Bond Mortgage Note, the Interest Component of the Required Bond Mortgage Payment shall be adjusted only upon the redemption of Bonds in the amount of such principal prepayment.

## ARTICLE IV

## FREDDIE MAC REIMBURSEMENTS

**Section 4.1.** ***Reimbursements.***

(a) For each Freddie Mac Credit Enhancement Payment made by Freddie Mac, Freddie Mac shall be entitled to receive reimbursement under the Reimbursement Agreement in the amount of the Freddie Mac Reimbursement Amount. If the Trustee shall have received a Freddie Mac Credit Enhancement Payment from Freddie Mac with respect to any particular Guaranteed Payment and the Trustee shall have received or shall thereafter receive from the Owner all or any portion of such Guaranteed Payment or any other amount in lieu of such Guaranteed Payment, the Trustee shall promptly reimburse to Freddie Mac, from any such amounts received from the Owner, the Freddie Mac Credit Enhancement Payment paid by Freddie Mac as provided in the Indenture.

(b) The Trustee shall maintain records of all Freddie Mac Credit Enhancement Payments received from Freddie Mac hereunder. The Trustee shall, upon receipt of a written request of Freddie Mac, cooperate with Freddie Mac and the Servicer in connection with the reconciliation of the Trustee's records maintained pursuant to this Subsection and any similar records maintained by Freddie Mac or the Servicer.

## ARTICLE V

## COVENANTS

**Section 5.1.** *Annual Reports.* Freddie Mac registered its common stock with the U.S. Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (the "Exchange Act"), effective July 18, 2008. As a result, Freddie Mac files annual, quarterly and current reports, proxy statements and other information with the SEC. Any document that Freddie Mac files with the SEC may be read and copied at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. These SEC filings are also available to the public from the SEC's web site at http://www.sec.gov.

**Section 5.2.** *Notice of Certain Events.* The Trustee shall promptly give notice by facsimile or electronic transmission to Freddie Mac at (571) 382-4798, if by facsimile transmission, or the Freddie Mac Trustee E-mail Account, if by electronic transmission, of (i) the occurrence of any Event of Default under the Indenture or any event which, with the passage of time or service of notice, or both, would constitute an Event of Default thereunder of which the Trustee has actual knowledge, specifying the action taken or proposed to be taken with respect to such event, (ii) all notices required under Article X of the Indenture to be provided to Freddie Mac in connection with the remarketing of Bonds and (iii) each proposed redemption of Bonds and the amount thereof, in writing, not later than 20 days (or as soon as practicable after receiving notice or other information that such a redemption is expected to occur, if such proposed redemption is to be effected with less than 20 days' prior notice in accordance with the Indenture) prior to such redemption, other than scheduled mandatory sinking fund redemptions.

**Section 5.3.** ***Amendment of Documents.*** So long as no Event of Default hereunder shall have occurred and be continuing, the Trustee will not amend or modify, or consent to any amendment or modification of any Bond Financing Document without the prior written consent of Freddie Mac.

**Section 5.4.** ***Replacement of Servicer.*** The Trustee acknowledges that, under certain circumstances set forth in the Guide, Freddie Mac shall have the right to terminate the Servicer's servicing of the Bond Mortgage Loan and to transfer the servicing of the Bond Mortgage Loan to a successor servicer in accordance with the Guide. Freddie Mac will promptly notify the Trustee upon termination of the Servicer and the appointment of a successor servicer.

**Section 5.5.** ***Wiring Information.*** All payments under this Agreement may be made by means of wire transfer of funds to the Trustee to the following account or such other account as the Trustee may specify in writing from time to time:

WELLS FARGO BANK, N.A.
ABA # = 121000248
BNFA = 0001038377
FFC = WELLS FARGO TRUST CLEARING
REF = ABAG Acton Courtyard Series 2010A
ATTN = Kerri Jones/Sabrina Banks

## ARTICLE VI

## DEFAULT AND REMEDIES

**Section 6.1.** ***Events of Default.*** Any one or more of the following acts or occurrences shall constitute an Event of Default hereunder:

(a) Failure by Freddie Mac to pay any amounts due under Section 3.1 or 3.2 when due; or

(b) Failure by Freddie Mac to perform or observe any of its covenants, agreements or obligations hereunder, except a failure described in (a) above, if the same shall remain uncured for a period of 45 days after written notice of such failure shall have been given by the Trustee to Freddie Mac; provided, however, that if such default is curable but requires acts to be done or conditions to be remedied which, by their nature, cannot be done or remedied within such 45-day period, no Event of Default shall be deemed to have occurred if Freddie Mac shall commence such acts or remedies within such 45-day period and thereafter, in the opinion of the Trustee, diligently pursue the same to completion; or

(c) any governmental authority shall require Freddie Mac to suspend its operations for more than three (3) Business Days (unless such requirement is applicable to corporate instrumentalities or financial institutions generally in the United States), or require the sale or transfer of all or substantially all of the assets of Freddie Mac.

**Section 6.2.** ***Remedies of Trustee.*** Upon the occurrence and continuance of any Event of Default by Freddie Mac hereunder, unless such Event of Default has been cured, the Trustee may take any one or more of the following steps, at its option:

(1) by action at law or in equity, require Freddie Mac to perform its covenants and obligations hereunder, or enjoin any acts which may be unlawful or in violation of the rights of the Trustee; and

(2) take whatever other action at law or in equity may appear necessary or desirable to enforce any monetary obligation of Freddie Mac hereunder, or to enforce any other obligations, covenant or agreement of Freddie Mac hereunder.

The above provisions are subject to the condition that if, after any Event of Default hereunder, all amounts which would then be payable hereunder by Freddie Mac if such Event of Default had not occurred and were not continuing, shall have been paid by or on behalf of Freddie Mac, and Freddie Mac shall have also performed all other obligations in respect of which it is then in default hereunder to the satisfaction of the Trustee, then such Event of Default may be waived and annulled, but no such waiver or annulment shall extend to or affect any subsequent Event of Default or impair any consequent right or remedy.

**Section 6.3.** ***Remedies Not Exclusive.*** No remedy conferred in this Agreement or reserved to the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

**Section 6.4.** ***Restoration of Rights and Remedies.*** If the Trustee shall have instituted any proceeding to enforce any right or remedy under this Agreement and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the party instituting such proceeding, then and in every such case Freddie Mac, and the Trustee shall, subject to any determination in such proceeding, be restored to their former positions hereunder and thereafter all rights and remedies of the Trustee shall continue as though no such proceeding had been instituted.

## ARTICLE VII

## MISCELLANEOUS PROVISIONS

**Section 7.1.** ***Interest of Bondholders.*** The payments to be made by Freddie Mac hereunder are to be pledged by the Trustee to secure payment of the Purchase Price, principal or redemption price of and interest on the Bonds; provided that in no event shall Freddie Mac be obligated to pay the Purchase Price, principal or redemption price of and interest on Purchased Bonds.

**Section 7.2.** ***Amendment.*** This Agreement shall be amended only by an instrument in writing executed on behalf of the parties by their duly authorized representatives.

**Section 7.3.** ***No Individual Liability.*** No covenant or agreement contained in this Agreement shall be deemed to be the covenant or agreement of any member of the Board of Directors of Freddie Mac or any officer, agent, employee or representative of Freddie Mac, or the Trustee, in his or her individual capacity and none of such persons shall be subject to any personal liability or accountability by reason of the execution of this Agreement, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty, or otherwise.

**Section 7.4.** ***Notices.*** All notices, certificates and other written communications shall be sufficiently given and shall be deemed to be given (unless another form of notice shall be specifically set forth in this Agreement) on the Business Day following the date on which the same shall have been delivered to a national overnight delivery service (receipt of which to be evidenced by a signed receipt for overnight delivery service) with arrangements made for payment of all charges for next business day delivery, addressed as follows (provided that any of such addresses may be changed at any time upon written notice of such change sent, as provided in this Section, to the other party):

To Freddie Mac: Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
Mail Stop B4Q
McLean, Virginia 22102
Attention: Director of Multifamily Loan Accounting
Facsimile: (571) 382-4798
Telephone: (703) 714-4177

with a copy to: Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive
McLean, Virginia 22102
Attention: Associate General Counsel – Multifamily Legal Department
Facsimile: (703) 903-2885
Telephone: (703) 903-2000

with a copy to: Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
Mail Stop B4F
McLean, Virginia 22102
Attention: Director of Multifamily Loan Servicing
Facsimile: (703) 714-3003
Telephone: (703) 903-2000

To the Trustee: Wells Fargo Bank, National Association

MAC A0119-181
333 Market Street, 18th Floor
San Francisco, California 94105
Attention: Corporate Trust Services
Facsimile: (415) 371-3400
Telephone: (415) 371-3361

Notwithstanding anything herein to the contrary, copies of account statements shall be sent to the attention of Freddie Mac's Director of Multifamily Loan Accounting at the above address.

**Section 7.5.** ***Governing Law.*** This Agreement shall be construed, and the rights and obligations of Freddie Mac and the Trustee hereunder determined in accordance with federal statutory or common law ("**federal law**"). Insofar as there may be no applicable rule or precedent under federal law and insofar as to do so would not frustrate the purposes of any provision of this agreement, the local law of the Commonwealth of Virginia shall be deemed reflective of federal law. The parties agree that any legal actions between Freddie Mac and the Trustee regarding each party hereunder shall be originated in the United States District Court in and for the Eastern District of Virginia, and the parties hereby consent to the jurisdiction and venue of said Court in connection with any action or proceeding initiated concerning this Agreement.

**Section 7.6.** ***Severability.*** The invalidity or unenforceability of any provision of this Agreement shall not affect the validity of any other provision, and all other provisions shall remain in full force and effect.

**Section 7.7.** ***Multiple Counterparts.*** This Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument and each of which shall be, and shall be deemed to be, an original.

**Section 7.8.** ***Successor Trustee.*** This Agreement and all of the rights and obligations of the Trustee in this Agreement shall be automatically transferred and assigned to a successor Trustee appointed or acting pursuant to the Indenture.

**Section 7.9.** ***Assignment.*** Except as provided in Section 7.8 hereof, this Agreement and the rights of the Trustee created hereby may not be assigned or transferred by the Trustee.

**Section 7.10.** ***Acceptance.*** The Trustee accepts the duties imposed upon it by this Agreement and agrees to perform those duties but only upon and subject to the following express terms and conditions:

(a) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Agreement and no implied covenants or obligations shall be read into this Agreement against the Trustee;

(b) as to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceedings, the Trustee shall be entitled to rely in good faith upon a certificate purportedly signed by an authorized signatory of Freddie Mac as sufficient evidence of the facts contained in such certificate;

(c) the permissive right of the Trustee to do things enumerated in this Agreement shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct;

(d) none of the provisions contained in this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under this Agreement except for any liability of the Trustee arising from its own negligence or willful misconduct;

(e) the Trustee is entering into this Agreement solely in its capacity as Trustee under the Indenture and not in its individual or corporate capacity; and

(f) all of the provisions of the Indenture related to the duties, obligations, standard of care, protections and immunities from liability afforded the Trustee under the Indenture shall apply to the Trustee under this Agreement.

[Signatures follow]

**IN WITNESS WHEREOF,** the parties hereto have caused this Credit Enhancement Agreement to be duly executed by their duly authorized officers or representatives.

**FEDERAL HOME LOAN MORTGAGE CORPORATION**

By: _____

Name:

Title:

[SIGNATURE PAGE TO EQR-ACTON CREDIT ENHANCEMENT AGREEMENT]

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

By: _____
Name:
Title:

**EXHIBIT A-1**

**FORM OF NOTICE UNDER SECTION 3.1(a)(i)**

Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
McLean, VA 22102
Attention: Multifamily Loan Accounting
Facsimile: (571) 382-4798

Project Name: ACTON COURTYARD APARTMENTS

Related Bonds: $9,920,000 ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Acton Courtyard Apartments Project) 2010 Series A

CUSIP Number: _____

Loan No.: 968720544 Date of Notice: _____

**CERTIFICATE FOR THE PAYMENT OF GUARANTEED PAYMENT**

**under Section 3.1(a)(i) of Credit Enhancement Agreement between Freddie Mac and the undersigned, as Trustee, dated as of March 1, 2010 relating to the Bond Mortgage Loan securing the Bonds referenced above.**

Bond Mortgage Payment Date: _____, ____
Guaranteed Payment: $_____

**NOTICE** is hereby given that on the Bond Mortgage Payment Date set forth above, a Freddie Mac Credit Enhancement Payment in the amount equal to the Guaranteed Payment, of which amount $_____ represents the Interest Component and $_____ represents the Principal Component, is due. The amount of the Guaranteed Payment has been determined pursuant to the above-referenced Credit Enhancement Agreement.

**REQUEST** is hereby made for payment by Freddie Mac of such Freddie Mac Credit Enhancement Payment in accordance with the Credit Enhancement Agreement.

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

Authorized Signature: _____
Name: _____
Title: _____

**EXHIBIT A-2**

**FORM OF DEFICIENCY NOTICE UNDER SECTION 3.1(b)(i)**

Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
McLean, VA 22102
Attention: Multifamily Loan Accounting
Facsimile: (571) 382-4798

Project Name: ACTON COURTYARD APARTMENTS

Related Bonds: $9,920,000 ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Acton Courtyard Apartments Project) 2010 Series A

CUSIP Number: _____

Loan No.: 968720544 Date of Notice: _____

**DEFICIENCY NOTICE**

**under Section 3.1(b)(i) of Credit Enhancement Agreement between Freddie Mac and the undersigned, as trustee, dated as of March 1, 2010 relating to the Bond Mortgage Loan securing the Bonds referenced above.**

Settlement Date: _____, ____
Tendered Bonds for Purchase: $_____
Remarketing Proceeds Held by Tender Agent: (_____)

**Amount of "REQUIRED PURCHASE PRICE PAYMENT DEFICIENCY":** $_____

**CREDIT ENHANCEMENT PAYMENT DATE: _____, ____**

**NOTICE** is hereby given that, on the Settlement Date set forth above, there exists a Required Purchase Price Payment Deficiency in the amount set forth above. As a result of said Required Purchase Price Payment Deficiency, a Freddie Mac Credit Enhancement Payment in an amount equal to the Required Purchase Price Payment Deficiency is due on the Credit Enhancement Payment Date set forth above. The amount of the Required Purchase Price Payment Deficiency and the Credit Enhancement Payment Date have been determined pursuant to the above-referenced Credit Enhancement Agreement.

**REQUEST** is hereby made for payment by Freddie Mac of such Freddie Mac Credit Enhancement Payment at or prior to 3:00 p.m., Washington, D.C. time on the Credit Enhancement Payment Date.

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

Authorized Signature: _____
Name: _____
Title: _____

**EXHIBIT B**

**CERTIFICATE FOR REINSTATEMENT OF AVAILABLE AMOUNT**

To: Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
McLean, Virginia 22102
Attention: Multifamily Loan Accounting

**$9,920,000**
**ABAG Finance Authority for Nonprofit Corporations**
**Variable Rate Demand Multifamily Housing Revenue Refunding Bonds**
**(Acton Courtyard Apartments Project)**
**2010 Series A**

The undersigned, a duly authorized officer of Wells Fargo Bank, National Association, as Tender Agent (the "Tender Agent") under the Trust Indenture (the "Indenture") dated as of March 1, 2010, between the ABAG Finance Authority for Nonprofit Corporations and Wells Fargo Bank, National Association, as Trustee, pursuant to which the above-referenced Bonds have been issued, certifies as follows (the capitalized terms used in this Certificate and not defined in this Certificate shall have the meanings given to those terms in the Indenture or the Credit Enhancement Agreement (the "Credit Enhancement Agreement"), dated as of March 1, 2010, between Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Trustee, as applicable):

1. The Tender Agent is the Tender Agent under the Indenture for the holders of the Bonds.

2. On the date of this Certificate $_____ aggregate principal amount of Bonds are being sold to purchasers upon a remarketing of such Bonds by the Remarketing Agent. All of such Bonds were previously purchased with moneys provided by Freddie Mac under the Credit Enhancement Agreement in the total amount of $_____, of which $_____ was provided in respect of principal of the Purchased Bonds and $_____ was provided in respect of accrued interest on the Purchased Bonds. [Prior to the date of this Certificate there has been no reinstatement of the Available Amount with respect to amounts provided by Freddie Mac.].

3. The Tender Agent has received for immediate payment to [the Trustee for the account of] Freddie Mac in respect of the Bonds described in paragraph 2 of this Certificate the total amount of $_____, consisting of $_____ from the Remarketing Agent and $_____ from the Owner. Such total amount is being paid to Freddie Mac at the above address with reference to the Credit Enhancement Agreement, as reimbursement for amounts provided by Freddie Mac under the Credit Enhancement Agreement.

4. Of the total amount referred to in paragraph 3 of this Certificate, $_____ represents the aggregate principal amount of Bonds described in paragraph 2 of this Certificate and $_____ represents accrued interest on such Bonds.

5. Payment of the total amount referred to in paragraph 3 of this Certificate, together with other amounts previously paid to Freddie Mac by or on behalf of the Owner, represents reimbursement for the entire outstanding balance of all amounts provided in respect of the Bonds described in paragraph 2 of this Certificate. The foregoing certification is made in reliance upon representations by the Owner and/or Freddie Mac to the Tender Agent that, upon payment of such amounts, Freddie Mac will be fully reimbursed for the amount provided under the Credit Enhancement Agreement.

6. Pursuant to Section 3.1(b)(iv) of the Credit Enhancement Agreement, the Available Amount shall be automatically reinstated by an amount equal to $_____ (which does not exceed the aggregate amount provided by Freddie Mac under the Credit Enhancement Agreement to purchase such Bonds), of which $_____ (which does not exceed the aggregate amount provided by Freddie Mac under the Credit Enhancement Agreement as principal) is principal and $_____ (which does not exceed the aggregate amount provided by Freddie Mac under the Credit Enhancement Agreement as interest) is interest.

7. If this Certificate is initially presented by telex or telecopier, the original of this Certificate on the Tender Agent's letterhead manually signed by one of its officers is being mailed to you concurrently by first class United States mail.

IN WITNESS WHEREOF, the Tender Agent has executed and delivered this Certificate this _____ day of _____, ____.

**WELLS FARGO BANK, NATIONAL ASSOCIATION**, as Tender Agent

By: _____
Name:
Title:

**EXHIBIT C**

**FREDDIE MAC MULTIFAMILY**

**BOND WIRE INSTRUCTION CHANGE REQUEST FORM**

| *Freddie Mac Internal Use:* | | | |
|---|---|---|---|
| Loan Accounting Approval | Date | MF Operations Approval | Date |

*Bond Trustee* – Please complete all required (*) fields. This wire instruction change applies only to the Freddie Mac loan number(s) referenced below.

**A.** ***Trustee's Prior Wire Instructions:***

**Bond Property Name:**_____

***Freddie Mac Loan Number(s):** _____

***Bank Name:** _____

***Bank City:**_____

***Bank State:** _____

***ABA Number:**_____

***Account Number:**_____

Further Credit Instructions:

**Name of Final Credit Party:**_____

**Final Credit Party Account Number:**_____

**B.** ***Trustee's New Wire Instructions:***

**Bond Property Name:**_____

***Freddie Mac Loan Number(s):** _____

***Bank Name:** _____

***Bank City:**_____

***Bank State:** _____

***ABA Number:**_____

***Account Number:**_____

Further Credit Instructions:

**Name of Final Credit Party:**_____

**Final Credit Party Account Number:**_____

**Effective Date of Notice:**_____, ***which date is at least five (5) Business Days after the date of this notice.***

As of the Effective Date set forth above, all wires of funds to the Trustee for the above-referenced Freddie Mac loan number(s) pursuant to the Wire Request System shall be transmitted using the new wire instructions set forth in this notice.

[EXHIBIT C CONTINUED ON FOLLOWING PAGE]

**Trustee Authorized Signature:**

The undersigned hereby represents and warrants to Freddie Mac that he/she is a duly appointed officer of the Trustee who is duly authorized to disseminate the Trustee's wire instructions, and to approve or sign wire requests in Freddie Mac's Wire Request System, all of which is evidenced by either (i) resolutions (in full force and effect on the date of the execution of this form) of the board of directors of the Trustee, a true, complete and correct copy of which is attached hereto, or (ii) an Incumbency Certificate (in full force and effect on the date of the execution of this form) in the form attached hereto as Schedule 1, which has been signed and sealed by the Secretary or Assistant Secretary of the Trustee, a true, complete and correct copy of which is attached hereto.

_____
Trustee Name

| | |
|---|---|
| _____ | (  ) _____ |
| Signatory's Printed Name | Signatory's Phone Number |
| _____ | _____ |
| Signature | Date |

_____
Signatory's Title

* This form is to be delivered to: Freddie Mac Multifamily, Loan Accounting Manager, 8100 Jones Branch Drive, Mail Stop B4Q, McLean, VA 22102 via overnight mail service.

**SCHEDULE 1**
**to**
**Bond Wire Instruction Change Request Form**

**INCUMBENCY CERTIFICATE**

The undersigned hereby certifies to the Federal Home Loan Mortgage Corporation ("Freddie Mac") that I am the [Secretary / Assistant Secretary] of Wells Fargo Bank, National Association (the "Trustee"), a national banking association, duly organized and existing under the laws of the United States, and that, as such, I am duly authorized to execute this Incumbency Certificate on behalf of the Trustee; and I further certify that the following person, as of the date hereof, holds the office of the Trustee set opposite his or her name below, and that such person is duly authorized to disseminate the Trustee's wire instructions, and to approve or sign wire requests in Freddie Mac's Wire Request System:

Name:_____ Title:_____

WITNESS the official seal of the Trustee and the signature of the undersigned this ____ day of _____, 20__.

[Corporate Seal]

_____

Print Name:_____

Title: [Secretary / Assistant Secretary]

## APPENDIX C

## FORM OF BOND COUNSEL OPINION

March __, 2010

ABAG Finance Authority for Nonprofit Corporations
101 Eighth Street
Oakland, California 94607

***OPINION:*** $9,920,000 ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Acton Courtyard Apartments Project) 2010 Series A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the ABAG Finance Authority for Nonprofit Corporations (the "Authority") of $9,920,000 ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Acton Courtyard Apartments Project) 2010 Series A (the "Bonds") pursuant to Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California, in accordance with Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code, as such provisions may hereafter be amended (the "Act"), and a Trust Indenture, dated as of March 1, 2010 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee, and approved by resolution of the Authority adopted February 17, 2010. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Indenture and in the certified proceedings and other certifications of public officials, the Borrower (as defined in the Indenture) and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The Authority is a public body, corporate and politic, duly organized and validly existing under the laws of the State of California, with the power to enter into the Indenture, perform the agreements on its part contained therein and issue the Bonds.

2. The Indenture has been duly approved and executed by the Authority and constitutes a valid and binding obligation of the Authority enforceable upon the Authority.

3. Pursuant to the Act, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds, subject to no prior lien granted under the Act.

4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the sources provided therefor in the Indenture.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes, except during any period while a Bond is held by a "substantial user" of the facilities financed by the Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986 (the "Code"). It should be noted, however, that, such interest is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Authority and the Borrower comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the Borrower have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation