

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (as defined below) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”), except that no opinion is expressed as to the status of interest on any Bond during any period such Bond is held by a “substantial user” of the facilities financed or refinanced by the Bonds or is a “related person” within the meaning of Section 147(a) of the Code. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.

\$91,000,000

**ABAG Finance Authority For Nonprofit Corporations
Variable Rate Demand Multifamily Housing Revenue Bonds
(Lakeside Village Apartments) 2011 Series A**

Dated: Delivery Date

Price: 100%

CUSIP: 00037N PB6

Due: October 1, 2046

The above-captioned bonds (the “Bonds”) are being issued pursuant to a Trust Indenture, dated as of October 1, 2011 (the “Indenture”), by and between the ABAG Finance Authority For Nonprofit Corporations (the “Issuer”) and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The proceeds of the Bonds are being used by the Issuer to make a non-recourse mortgage loan (the “Bond Mortgage Loan”) to Standard Lakeside I LP, a California limited partnership (the “Borrower”), pursuant to a Financing Agreement, dated as of the date of the Indenture (the “Financing Agreement”), among the Issuer, the Borrower and the Trustee, for the purpose of financing the acquisition and rehabilitation of an 840-unit multifamily rental housing development located in San Leandro, California, and known as the Lakeside Village Apartments (the “Project”).

The Bonds will bear interest at a Variable Rate until adjusted to a Reset Rate or converted to a Fixed Rate, all as described herein. The Bonds will be 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 the Variable Period. The Bonds are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). See “THE BONDS—Book-Entry Only System.” The principal of, premium, if any, and interest on the Bonds are payable by the Trustee, by wire transfer directly to DTC, which will in turn remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds. Interest on the Bonds will be payable on the first Business Day of each month (each an “Interest Payment Date”), commencing December 1, 2011.

Payments of principal of and interest on the Bond Mortgage Loan and payments of the Purchase Price of the Bonds will be secured by a direct pay Credit Enhancement Agreement, dated as of the date of the Indenture (the “Credit Enhancement Agreement”), between the Trustee and Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States (“Freddie Mac”).

Freddie Mac

The Credit Enhancement Agreement will terminate on October 6, 2041, or upon the earlier redemption (or purchase in lieu thereof) of the Bonds or upon substitution of an Alternate Credit Facility under the Indenture as more fully described herein. See “APPENDIX C—FORM OF CREDIT ENHANCEMENT AGREEMENT” and “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 Facility then in effect if the conditions of such substitution are satisfied, including the receipt by the Trustee of remarketing proceeds in an amount equal to 100% of the Purchase Price of the Bonds.

The Bonds may be tendered at the option of the holder thereof upon seven days’ notice, and the Bonds are subject to mandatory purchase by the Trustee upon the occurrence of certain events described herein, subject to the limitations described herein. See “THE BONDS—Demand for and Mandatory Purchase of the Bonds” herein. The Bonds will be subject to optional and mandatory redemption prior to the stated maturity date at the prices, on the terms and upon the occurrence of the events described herein, including, without limitation, mandatory redemption, in whole on the last Business Day which is not less than five (5) days before the date of expiration of any Credit Facility unless the Trustee receives a renewal or extension of or replacement for such Credit Facility meeting the requirements of the Financing Agreement. See “THE BONDS—Optional Redemption of the Bonds” and “—Mandatory Redemption.” The maturity of the Bonds may be accelerated upon the occurrence of certain events as further described herein. See “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default; Acceleration; Remedies.” Persons who purchase Bonds at a price in excess of their principal amount risk the loss of any premium paid in the event the Bonds are redeemed prior to maturity. See “THE BONDS” and “CERTAIN BONDHOLDERS’ RISKS” herein.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE INDENTURE. NONE OF ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS (“ABAG”), THE MEMBERS OF THE ISSUER OR ABAG OR PROGRAM PARTICIPANTS OF THE ISSUER OR ABAG, OR THE STATE OF CALIFORNIA SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONIES OR ASSETS OF THE ISSUER, ABAG, ANY OF THEIR MEMBERS OR PROGRAM PARTICIPANTS OR THE STATE OF CALIFORNIA TO PAY ALL OR ANY PORTION OF DEBT SERVICE DUE ON THE BONDS. THE BONDS AND THE OBLIGATION TO PAY PRINCIPAL THEREOF AND INTEREST AND ANY REDEMPTION PREMIUM THEREON DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE ISSUER, ABAG, THE MEMBERS OR PROGRAM PARTICIPANTS 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 REVENUES DESCRIBED THEREIN. 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 PURCHASE PRICE OF, 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 THEREIN. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, ANY AGENCY THEREOF, OR OF FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC.

This Official Statement describes the Bonds only during the initial Variable Period, which is the period beginning on the delivery date of the Bonds and ending on the date on which interest on the Bonds is adjusted to a Reset Rate or converted to a Fixed Rate. A new official statement is required to be used to offer or remarket the Bonds if interest on the Bonds is adjusted to a Reset Rate or converted to a Fixed Rate. This Official Statement pertains to the Bonds only while they are secured by the Credit Enhancement Agreement provided by Freddie Mac. A new official statement is required to be used to offer or remarket the Bonds if interest on the Bonds is adjusted to a Reset Rate or converted to a Fixed Rate or if the Bonds are no longer secured by the Freddie Mac Credit Enhancement Agreement provided by Freddie Mac.

The Bonds are offered when, as and if issued and received by Citigroup Global Markets Inc. (the “Underwriter”), subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the Issuer, and certain other conditions. Certain legal matters will be passed upon for the Borrower by its counsel, Ruan & Tucker LLP, Costa Mesa, California, for Freddie Mac by its legal division and by its special counsel, Kantor Taylor Nelson Boyd & Evatt PC, Seattle, Washington and for the Underwriter by its counsel, Eichner & Norris PLLC, Washington, D.C. It is expected that the Bonds will be available for delivery through DTC in New York, New York on or about October 28, 2011.

Citigroup

Dated: October 28, 2011

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

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

The Issuer has not provided or approved any information in this Official Statement except with respect to the information under the caption “THE ISSUER” and “NO LITIGATION—The Issuer” herein. Although this Official Statement contains information from sources believed to be reliable, the Issuer makes no representation as to the contents of this Official Statement other than those referred above, and neither the Issuer nor the Borrower makes any representation as to 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 Issuer’s role is limited to the issuance of the Bonds.

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

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

CERTAIN PERSONS PARTICIPATING IN THE UNDERWRITING OF THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE BONDS.

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OFFICIAL STATEMENT

\$91,000,000

**ABAG Finance Authority For Nonprofit Corporations
Variable Rate Demand Multifamily Housing Revenue Bonds
(Lakeside Village Apartments) 2011 Series A**

INTRODUCTION

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

General

The purpose of this Official Statement is to provide information in connection with the public offering of the above-captioned bonds (the “Bonds”). The Bonds are being issued pursuant to a Trust Indenture, dated as of October 1, 2011 (the “Indenture”), by and between the ABAG Finance Authority For Nonprofit Corporations (the “Issuer”) and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The proceeds of the Bonds are being used by the Issuer to make a non-recourse mortgage loan (the “Bond Mortgage Loan”) to Standard Lakeside I LP, a California limited partnership (the “Borrower”), pursuant to a Financing Agreement, dated as of the date of the Indenture (the “Financing Agreement”), among the Issuer, the Borrower and the Trustee, for the purpose of financing the acquisition and rehabilitation of an 840-unit multifamily rental housing development located in San Leandro, California, and known as the Lakeside Village Apartments (the “Project”). See “THE BORROWER AND THE PROJECT” herein.

The Bond Mortgage Loan will be evidenced by a Bond Mortgage Note, dated the date of initial issuance of the Bonds (the “Delivery Date”) (together with all riders and addenda thereto, the “Bond Mortgage Note”), executed by the Borrower in favor of the Issuer and secured by the First Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of the date of the Indenture (the “Bond Mortgage”), executed by the Borrower and delivered to the Trustee, upon the order of the Issuer, with respect to the Project. The principal amount and payment provisions of the Bond Mortgage Note have been established and structured so that (a) the aggregate principal amount of the Bond Mortgage Note will not be less than the aggregate principal amount of Outstanding Bonds; (b) the interest payable on the Bond Mortgage Note will not be less than the interest payable on the Outstanding Bonds; and (c) the required payments under the Bond Mortgage Note will be timely and sufficient in amount to make the payments due to the Bondholders on the Outstanding Bonds.

Payments on the Bond Mortgage Loan will be made by the Borrower to Citibank, N.A. (the “Servicer”), which will service the Bond Mortgage Loan in accordance with the Guide.

On the Delivery Date, the Issuer will assign the Financing Agreement (except for the Issuer’s Unassigned Rights) to the Trustee for the benefit of the registered owners of the Bonds. The Issuer’s rights under the Bond Mortgage Note will also be assigned to the Trustee. In addition to the other

security provided under the Indenture, the required payments under the Bond Mortgage Note will be secured by Guaranteed Payments under a direct pay Credit Enhancement Agreement, dated as of the date of the Indenture (the “Credit Enhancement Agreement” or “Credit Facility”), between the Federal Home Loan Mortgage Corporation (“Freddie Mac” or “Credit Facility Provider”) and the Trustee. The form of the Credit Enhancement Agreement is attached hereto as Appendix C. The obligation of the Borrower to reimburse Freddie Mac for funds provided by Freddie Mac pursuant to the Credit Enhancement Agreement is established by the terms and conditions of a Reimbursement and Security Agreement, dated as of the date of the Indenture (the “Reimbursement Agreement”), by and between the Borrower and Freddie Mac. The Borrower will execute a Second Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of the date of the Indenture (the “Reimbursement Mortgage”), for the benefit of Freddie Mac to secure its obligations under the Reimbursement Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—The Credit Enhancement Agreement” and “SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT” herein and Appendix C hereto. Bondholders will have no rights with respect to and are not third party beneficiaries of the Reimbursement Mortgage.

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

So long as Freddie Mac is not in default in its payment obligations under the Credit Enhancement Agreement, Freddie Mac shall control and shall have the right to control and/or exercise the Bond Mortgage Rights (defined herein) and Freddie Mac may direct the Trustee to assign the Trustee’s interests in the Bond Mortgage Loan, including the Bond Mortgage Note, the Bond Mortgage and the other Bond Mortgage Loan Documents to Freddie Mac at any time.

Pursuant to an Intercreditor Agreement, dated as of the date of the Indenture (the “Intercreditor Agreement”), among the Issuer, the Trustee and Freddie Mac with respect to the Bonds, neither the Trustee nor the Bondholders will have the right to control and/or exercise remedies under the Bond Mortgage while the Credit Enhancement Agreement secures the Bonds and Freddie Mac continues to honor its obligations thereunder. See “SUMMARY OF CERTAIN PROVISIONS OF THE INTERCREDITOR AGREEMENT” herein.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE INDENTURE. NONE OF ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS (“ABAG”), THE MEMBERS OF THE ISSUER OR ABAG OR PROGRAM PARTICIPANTS OF THE ISSUER OR ABAG, OR THE STATE OF CALIFORNIA SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE ISSUER, ABAG, ANY OF THEIR MEMBERS OR PROGRAM PARTICIPANTS OR THE STATE OF CALIFORNIA TO PAY ALL OR ANY PORTION OF DEBT SERVICE DUE ON THE BONDS. THE BONDS AND THE OBLIGATION TO PAY PRINCIPAL THEREOF AND INTEREST AND ANY REDEMPTION PREMIUM THEREON DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE ISSUER, ABAG, THE MEMBERS OR PROGRAM PARTICIPANTS 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 REVENUES DESCRIBED THEREIN. 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 PURCHASE PRICE OF, 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 THEREIN. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, ANY AGENCY THEREOF, OR OF FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC.

The Borrower is required to operate the Project in compliance with a Regulatory Agreement and Declaration of Restrictive Covenants, dated as of the date of the Indenture (the "Regulatory Agreement"), between the Issuer and the Borrower. The Regulatory Agreement contains certain representations, warranties and covenants concerning the operation of the Project. Under the Regulatory Agreement, the Borrower is required, among other things, to cause no less than 40% of the completed residential units in the Project to be occupied by individuals whose income does not exceed 60% of the median gross income for the area in which the Project is located, with monthly rent restricted to one twelfth (1/12th) of 30% of 60% of area gross median income for a period not less than fifty-five (55) years as further described in the Regulatory Agreement. A failure to comply with certain of these requirements could result in the loss of the federal tax exemption on the Bonds retroactive to the Delivery Date. See "TAX MATTERS" and "SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT." Occupancy and rents are further restricted in connection with the award of low income housing tax credits to the Project. See "THE BORROWER AND THE PROJECT" herein.

Citigroup Global Markets Inc. (the "Remarketing Agent") has been appointed by the Issuer with the approval of Freddie Mac and the Borrower to serve as Remarketing Agent for the Bonds under the terms of a Remarketing Agreement, dated as of the date of the Indenture (the "Remarketing Agreement"), between the Borrower and the Remarketing Agent. Wells Fargo Bank, National Association, as tender agent (the "Tender Agent"), will perform certain services in connection with the purchase of tendered Bonds.

Brief descriptions of the Issuer, the sources of payment for the Bonds, the Bonds, the Project, the Borrower, the Servicer and Freddie Mac and a general summary of the Indenture, the Financing Agreement, the Regulatory Agreement, the Intercreditor Agreement and the Reimbursement Agreement are included in this Official Statement. The form of the Credit Enhancement Agreement is attached as Appendix C. All references herein to the Indenture, the Financing Agreement, the Regulatory Agreement, the Credit Enhancement Agreement, the Intercreditor Agreement, the Reimbursement Agreement and all other documents and agreements are qualified in their entirety by reference to such documents and agreements, and all references to the Bonds are qualified by reference to the form thereof included in the Indenture, copies of which are available for inspection at the designated corporate trust office of the Trustee, Wells Fargo Bank, National Association, 333 Market Street, 18th Floor, San Francisco, California 94105.

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

THE ISSUER

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

The Issuer is a joint powers agency duly organized and existing under the laws of the State of California. The Issuer was formed pursuant to the terms of a Joint Powers Agreement, dated as of April 1, 1990, as amended as of September 18, 1990 and June 9, 1992, and the Act 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.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE INDENTURE. NONE OF ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS (“ABAG”), THE MEMBERS OF THE ISSUER OR ABAG OR PROGRAM PARTICIPANTS OF THE ISSUER OR ABAG, OR THE STATE OF CALIFORNIA SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE ISSUER, ABAG, ANY OF THEIR MEMBERS OR PROGRAM PARTICIPANTS OR THE STATE OF CALIFORNIA TO PAY ALL OR ANY PORTION OF DEBT SERVICE DUE ON THE BONDS. THE BONDS AND THE OBLIGATION TO PAY PRINCIPAL THEREOF AND INTEREST AND ANY REDEMPTION PREMIUM THEREON DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE ISSUER, ABAG, THE MEMBERS OR PROGRAM PARTICIPANTS 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 REVENUES DESCRIBED THEREIN. 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 PURCHASE PRICE OF, OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS. NEITHER THE ISSUER NOR ABAG HAS ANY TAXING POWER.

The Issuer has not reviewed any appraisal for the Project or any feasibility study or other financial analysis of the Project and has not undertaken to review or approve expenditures for the Project, to supervise the construction of the Project, or to obtain any financial statements of the Borrower.

The Issuer has not reviewed this Official Statement and is not responsible for any information contained herein, except for the information in this section and under the caption “NO LITIGATION-The Issuer,” as such information applies to the Issuer.

THE BONDS

General

The Bonds shall be fully registered as to principal and interest, without coupons. All of the Bonds are equally and ratably secured. Bonds issued on the Delivery Date shall be dated such date; Bonds issued after the Delivery Date shall be dated the date they are authenticated by the Trustee.

Interest on the Bonds during any Variable Period shall be computed on the basis of a 365 or 366 day year, as applicable, for the actual number of days elapsed. Interest on the Bonds shall be payable on each Interest Payment Date, in each case from the Interest Payment Date next preceding the date of authentication thereof to which interest has been paid or duly provided for, unless the date of authentication is an Interest Payment Date to which interest has been paid or duly provided for, in which case from the date of authentication of the Bond, or unless no interest has been paid or duly provided for on the Bonds, in which case from the Delivery Date, until payment of the principal of the Bond has been made or duly provided for. Notwithstanding the foregoing, if a Bond is authenticated after a Record Date and before the following Interest Payment Date, such Bond shall bear interest from such Interest Payment Date; provided, however, that if there shall be a default in the payment of interest due on such Interest Payment Date, then the Bonds shall bear interest from the next preceding Interest Payment Date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for on the Bonds, from the Delivery Date.

The Bonds shall be issued in Authorized Denominations and shall bear interest payable on each Interest Payment Date at the rate per annum determined as provided in the Indenture. See “Variable Rate for the Bonds” below. The Bonds shall mature, subject to redemption prior to maturity as provided in the Indenture, on the date set forth on the cover hereof.

Payments Due on Non-Business Days

In any case where a date of payment with respect to any Bonds shall be a day other than a Business Day, then such payment need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on such date, and no interest shall accrue for the period from and after such date provided that payment is made on such next succeeding Business Day.

Variable Rate for the Bonds

The Bonds shall bear interest from and including the Delivery Date to and including the immediately succeeding Variable Interest Computation Date at a Variable Rate agreed to by the Remarketing Agent and the Issuer, and thereafter shall bear interest at a Variable Rate for each Variable Interest Accrual Period as determined by the Remarketing Agent on each Variable Interest Computation Date until adjusted to a Reset Rate or Fixed Rate as provided for in the Indenture.

The Variable Rate for each Variable Interest Accrual Period determined by the Remarketing Agent on each Variable Interest Computation Date shall be that rate of interest which, if borne by the Bonds, would, in the reasonable professional judgment of the Remarketing Agent, on the basis of prevailing financial market conditions, be the interest rate necessary, but which would not exceed the interest rate necessary, to be borne by the Bonds in order for the market value of the Bonds on such

Variable Interest Computation Date to be equal to 100% of the principal amount thereof (disregarding accrued interest) if the Bonds were sold on such Variable Interest Computation Date. If the rate of interest determined by the Remarketing Agent exceeds the Maximum Rate, then the Variable Rate shall be the Maximum Rate. If for any reason (other than an Event of Default described in paragraph (b) under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default; Acceleration; Remedies” herein) 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 applicable Index Rate in effect on the applicable Variable Interest Computation Date.

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

Anything in the Indenture to the contrary notwithstanding, so long as an Event of Default described in paragraph (b) under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default; Acceleration; Remedies” herein 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 described in paragraph (b) under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default; Acceleration; Remedies” herein.

Adjustment of Interest Rates on Bonds

The interest rate on the Bonds may be converted to a Reset Rate or a Fixed Rate as provided in the Indenture. In connection with such conversion, the Bonds will be subject to mandatory purchase as described under the heading “Demand for and Mandatory Purchase of the Bonds” below.

Book-Entry Only System

The Bonds will be available in book-entry form only. Purchasers of the Bonds will not receive certificates from the Issuer or the Trustee 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 securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 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 the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond Financing Documents. For example, Beneficial Owners of the 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 a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified by a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on each payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, the Borrower, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or the Issuer, 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, 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. 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 Tender Agent's DTC account.

DTC may discontinue providing its services 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 securities 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.

The book-entry system for registration of the ownership of the Bonds will be discontinued in the event that the Bonds are purchased in lieu of redemption pursuant to the Indenture.

THE ABOVE INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND HAS NOT BEEN INDEPENDENTLY VERIFIED BY THE ISSUER, THE TRUSTEE, THE BORROWER, THE UNDERWRITER, FREDDIE MAC, THE SERVICER OR ANY OF THEIR RESPECTIVE COUNSEL, MEMBERS, OFFICERS OR EMPLOYEES OR BOND COUNSEL. NO REPRESENTATION WHATSOEVER AS TO THE ACCURACY, ADEQUACY OR COMPLETENESS OF SUCH INFORMATION IS MADE BY THE ISSUER, THE TRUSTEE, THE BORROWER, THE UNDERWRITER, FREDDIE MAC, THE

SERVICER OR ANY OF THEIR RESPECTIVE COUNSEL, MEMBERS, OFFICERS OR EMPLOYEES OR BOND COUNSEL. NONE OF THE ISSUER, THE TRUSTEE, THE BORROWER, THE UNDERWRITER, FREDDIE MAC, THE SERVICER OR ANY OF THEIR RESPECTIVE COUNSEL, MEMBERS, OFFICERS OR EMPLOYEES OR BOND COUNSEL WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (II) THE PAYMENT BY DTC OR BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION OR PURCHASE PRICE OF, INTEREST ON, ANY BONDS; (III) THE DELIVERY OF ANY NOTICE BY DTC OR ANY PARTICIPANT; (IV) THE SELECTION OF THE PARTICIPANTS OR THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (V) ANY CONSENT GIVEN OR ANY OTHER ACTION TAKEN BY DTC OR ANY PARTICIPANT.

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, reference herein to the registered owners of the Bonds (other than under the heading "TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds. During such period, the Trustee and the Issuer will recognize DTC or its partnership nominee as the owner of all of the Bonds for all purposes, including the payment of the principal of, premium, if any, and interest on the Bonds, as well as the giving of notices and voting.

Demand for and Mandatory Purchase of the Bonds

Any Bonds (other than Purchased Bonds), or any units of principal amount thereof in Authorized Denominations, shall be purchased from the proceeds of remarketing thereof or from other sources as described below, (a) on demand of the owner of such Bond (or, so long as Bonds are in "book entry only" form, demand of a DTC participant with respect to such Bonds) on any Business Day during a Variable Period which is an Optional Tender Date (as defined below), or (b) 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 (i) in the case of a purchase upon the demand of an owner or DTC participant, delivery to the Tender Agent, with a copy to the Trustee and the Remarketing Agent, of a written notice in the form attached to the Indenture (a "Tender Notice") which states (A) the principal amount of such Bond for which payment is demanded, (B) that such demand is irrevocable and (C) the date on which such Bond or units of principal amount thereof in Authorized Denominations shall be purchased, which date shall be a Business Day not prior to the seventh day next succeeding the date of the receipt of the Tender Notice by the Tender Agent (an "Optional Tender Date"); and (ii) in all cases, delivery of such Bond (with an appropriate transfer of registration form executed in blank and in form satisfactory to the Tender Agent) to the Tender Agent, at or prior to 9:30 a.m., Washington, D.C. time, on the Settlement Date. In the event that 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 shall 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 not later than 3:00 p.m., Washington, D.C. time, on the Settlement Date by check or by wire transfer (if requested in writing by the Bondholder) or as designated in the Tender Notice with respect to such Bond, but only upon delivery and surrender of such Bond to the Tender Agent.

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

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

Anything in the Indenture to the contrary notwithstanding, no Bonds shall be purchased or remarketed as described under this heading if an Event of Default under the Indenture (other than an Event of Default described in paragraph (c) under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default; Acceleration; Remedies” herein) 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 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 such Bonds after such purchase.

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

The Remarketing Agent shall instruct each purchaser of remarketed Bonds to deliver to the Tender Agent, no later than 9:30 a.m., Washington, D.C. time, on the Settlement Date, in immediately available funds, the amount required to purchase such Bonds. Upon receipt by the Tender Agent of such amount from the 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 remit the Purchase Price of such Bonds to the tendering Bondholder or Bondholders entitled to the same. In the event that the Remarketing Agent or 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 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 money 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 clauses (a) and (b) of the definition thereof.

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 Business Day prior to the Settlement Date, or the proceeds of remarketing of any tendered Bond have not been received by the Tender Agent on or prior to 10:00 a.m., Washington, D.C. time on the Settlement Date, the Trustee shall, within the time required by the terms of the Credit Facility, draw on the then existing Credit Facility (and in the case of a tender on a Substitute Date, shall draw on the Credit Facility being replaced) in an amount sufficient to enable the Tender Agent to pay the Purchase Price of each such Bond when due. On each Settlement Date, the Trustee shall pay or cause to be paid to the Tender Agent the Purchase Price of any Bonds which have not been remarketed 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) above 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, 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. Amounts drawn under the Credit Facility which are not used to purchase Bonds as described under this heading 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, pursuant to the Financing Agreement, is permitted with the prior written confirmation to the Trustee of the Credit Facility Provider that the provisions of the Reimbursement Agreement have been satisfied (and without the consent of the Issuer, the Trustee or the Bondholders), to provide an Alternate Credit Facility to replace the then existing 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 described under the headings “Demand for and Mandatory Purchase of the Bonds” and “Purchase of Bonds Not Remarketed” herein 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 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 costs that may be associated with such draw).

The Trustee shall give notice to the Owners of the Bonds, by first class mail not less than nine days before the Substitution Date specifying 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 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 of the Bonds

During the Variable Period, with the prior written consent of the Credit Facility Provider, the Bonds are subject to optional redemption on any Business Day, at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date, in whole or in part, upon optional prepayments on the Bond Mortgage Loan in accordance with the prepayment restrictions set forth in the Bond Mortgage Note and in the Financing Agreement from payments made under the Credit Facility or from other Eligible Funds deposited with the Trustee

Mandatory Redemption

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

(a) in whole or in part, 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

(b) 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

(c) in whole, on the last Business Day which is not less than five (5) days before the date of expiration of any Credit Facility unless the Trustee receives a renewal or extension of or replacement for such Credit Facility meeting the requirements of the Financing Agreement or, 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 30 days before the expiration of the then existing Credit Facility; or

(d) in part, in Authorized Denominations at the written direction of the Credit Facility Provider (A) 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 (B) on any Interest Payment Date during a Variable Period, in an amount not greater than the amount in the Principal Reserve Fund on the first day of the month prior to such Interest Payment Date; or

(e) in part, following the completion of the rehabilitation of the Project, to the extent amounts remaining in the Project Account of the Bond Mortgage Loan Fund are transferred to the Redemption Fund pursuant to the Indenture; or

(f) in part, upon receipt by the Trustee of (1) a written direction by the Credit Facility Provider to redeem Bonds pursuant to the Credit Facility in the event the Borrower fails by the Required Completion Date (or such later date as the Credit Facility Provider may agree to) to obtain a full abatement for the Project from general ad valorem or other real estate taxes or makes a Required Principal Paydown (as defined in the Reimbursement Agreement) in accordance with the terms of the Reimbursement Agreement and (2) amounts from the Credit Facility Provider pursuant to the Credit Facility.

Selection of Bonds for Redemption

Bonds shall be redeemed only in integral multiples of \$5,000 so long as all Bonds remaining Outstanding after the redemptions are 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 or Electronic Notice, 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 thirty (30) days and not 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 the 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) 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 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 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.

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, who have not surrendered their Bonds for redemption within thirty (30) days following the redemption date, at their addresses appearing on the Bond Register as of the Record Date immediately preceding 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.

Effect of Notice of Redemption

If a conditional notice of redemption has been provided and the conditions are not satisfied, such notice of redemption shall be of no force and effect and the Bondholders shall be restored to their former positions as though no such notice of redemption had been delivered. Notice of redemption having been given and if either there were no conditions to such redemption or the conditions have been satisfied, and money for the redemption being held by the Trustee or Paying Agent for that purpose, thereupon the Bonds so called for redemption shall become due and payable on the redemption date, and interest thereon shall cease to accrue on such date; and such Bonds shall thereafter no longer be entitled to any security or benefit under the Indenture except to receive payment of the redemption price thereof.

Purchase of Bonds in Whole in Lieu of Redemption

At any time during which the Bonds are subject to redemption in whole, all (but not less than all) of the Bonds to be redeemed may be purchased by the Trustee on the date which would be the redemption date at a purchase price equal to the redemption price which would have been applicable to such Bonds on the redemption date. The Bonds shall be purchased in lieu of redemption only from amounts provided by the Credit Facility Provider or from other Eligible Funds. No notice to the holders of the Bonds to be so purchased (other than the notice of redemption otherwise required) 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.

PRACTICES AND PROCEDURES OF REMARKETING AGENT

The Remarketing Agent Is Paid by the Borrower

The Remarketing Agent's responsibilities include determining the Variable Rate from time to time and using its best efforts to remarket Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), as further described in this Official Statement. The Remarketing Agent is appointed by the Issuer with the approval of the Credit Facility Provider and 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 owners and potential purchasers of the Bonds.

The Remarketing Agent May Purchase Bonds for Its Own Account

The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account and, in its sole discretion, may acquire such tendered Bonds in order to achieve a successful remarketing of the Bonds (e.g., because there otherwise are not enough buyers to purchase the Bonds or for other reasons). However, the Remarketing Agent is not obligated to purchase Bonds, and may cease doing so at any time

without notice. The Remarketing Agent may also make a market in the Bonds by routinely purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Bonds. The Remarketing Agent may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may result in fewer Bonds being tendered in a remarketing.

Bonds May Be Offered at Different Prices on Any Date, Including a Variable Interest Computation Date

Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the Variable Rate 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 Variable Interest Computation Date. The Variable 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 Variable Interest Computation Date, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price. In the event the Remarketing Agent owns any Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Bonds on any date, including the Variable Interest Computation Date, at a discount to par to some investors.

The Ability To Sell the Bonds Other Than Through Tender Process May Be Limited

The Remarketing Agent may buy and sell Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process set forth in the Indenture. See “THE BONDS—Demand for and Mandatory Purchase of the Bonds,” “—Purchase of Bonds Not Remarketed” and “—Mandatory Tender of Bonds on Substitution Date” herein.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Trust Estate

Under the Indenture, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds according to their tenor and effect, the payment to Freddie Mac of the Freddie Mac Reimbursement Amount and the Freddie Mac Credit Enhancement Fee in accordance with the provisions of the Indenture and of the Credit Enhancement Agreement and the Reimbursement Agreement, or the payment of amounts due and owing to any other Credit Facility Provider following termination of the Credit Enhancement Agreement, and the performance and observance by the Issuer of all the covenants expressed or implied in the Indenture and in the Bonds, the Issuer grants to the Trustee a security interest in the property described in paragraphs (a) through (c) below (the “Trust Estate”):

- (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 (other than the Unassigned Rights), the Bond Mortgage Note, the Bond Mortgage and the Credit Facility, 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 under the above-referenced documents (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.

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

Limited Obligations

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE INDENTURE. NONE OF ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS (“ABAG”), THE MEMBERS OF THE ISSUER OR ABAG OR PROGRAM PARTICIPANTS OF THE ISSUER OR ABAG, OR THE STATE OF CALIFORNIA SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE ISSUER, ABAG, ANY OF THEIR MEMBERS OR PROGRAM PARTICIPANTS OR THE STATE OF CALIFORNIA TO PAY ALL OR ANY PORTION OF DEBT SERVICE DUE ON THE BONDS. THE BONDS AND THE OBLIGATION TO PAY PRINCIPAL THEREOF AND INTEREST AND ANY REDEMPTION PREMIUM THEREON DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE ISSUER, ABAG, THE MEMBERS OR PROGRAM PARTICIPANTS 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 REVENUES DESCRIBED THEREIN. 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 PURCHASE PRICE OF, OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS. NEITHER THE ISSUER NOR ABAG HAS ANY TAXING POWER.

The Credit Enhancement Agreement

In addition to the other security provided under the Indenture, the Bonds will be secured by the Credit Enhancement Agreement. . See “FREDDIE MAC” herein and Appendix C hereto. Pursuant to the Credit Enhancement Agreement, Freddie Mac is required to pay Guaranteed Payments with respect to the Bond Mortgage Loan relating to the Bonds when and in the amounts due, and the Purchase Price of the Bonds in accordance with the terms of the Indenture and the Credit Enhancement Agreement. See

“APPENDIX A—DEFINITIONS OF CERTAIN TERMS” hereto for a definition of “Guaranteed Payment.”

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

Alternate Credit Facility

The Borrower, with the prior written confirmation of the Credit Facility Provider that the provisions of the Reimbursement Agreement have been satisfied (but without the consent of the Issuer, the Trustee or the Bondholders), may, on any Interest Payment Date during a Variable Period, arrange for the delivery to the Trustee of an Alternate Credit Facility in substitution for the Credit Facility then in effect (referred to under this heading 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 under this heading as “liquidity support”); provided that, without the consent of the Borrower (and without the consent of the Issuer, the Trustee or the 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 then existing Credit Facility if (A) the conditions described under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Amendments to the Credit Facility” 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 paragraph (c) below and (iii) such substitute “credit support” or “liquidity support”(or combination thereof) does not, in and of itself, increase the amounts required to be paid by, or other obligations of, the Borrower or the interest rate payable with respect to the Bonds. 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.

(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 (A) the day following the Reset Adjustment Date immediately succeeding the Reset Period; (B) 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; (C) the date on which all Bonds are paid in full and the Indenture is discharged in accordance with its terms; and (D) the date on which the Bonds become secured by an Alternate Credit Facility in accordance with the terms of the Indenture and the Reimbursement Agreement; (iv) unless waived by the Issuer in its sole discretion, result in the Bonds receiving a long term rating or short term rating, or both, as applicable for the mode then in effect, for the long term rating in one of the two highest rating categories of the Rating Agency without regard to pluses or minuses, and for the short term rating in the highest rating category of the Rating Agency without regard to pluses or minuses; and (v) have a stated expiration or termination date not sooner than one year following its effective date.

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

ESTIMATED SOURCES AND USES OF FUNDS

The total permanent project costs of the Project are estimated by the Borrower to be \$142,503,584, not including interim sources or uses of funds or accrued interest on the Bonds. The sources and uses of funds for the Project are projected to be approximately as follows:

Sources of Funds	
Bond Proceeds	\$91,000,000
General Partner Loan	7,242,836
Tax Credit Equity	41,760,748
Deferred Developer Fee	2,500,000
Total	<u>\$142,503,584</u>
Uses of Funds	
Land/Building Acquisition	\$115,250,000
Construction Costs	20,255,780
Bond Costs of Issuance	2,997,804
Reserves	1,500,000
Developer Fee	2,500,000
Total	<u>\$142,503,584</u>

Tax Credit Equity

In addition to the proceeds of the Bonds, the Project will be financed with tax credit equity, which will pay for the costs of issuance and a portion of several other costs of the Project. In connection with this interest, the tax credit equity is expected to be approximately \$41,760,748 (the “Tax Credit Equity”).

FREDDIE MAC

The following information has been provided by Freddie Mac. None of the Issuer, the Trustee, the Borrower, the Underwriter, the Servicer, the Remarketing Agent or any of their respective counsel, members, officers or employees or Bond Counsel have made any independent investigation regarding the information presented under this heading, nor have such parties verified the accuracy or completeness thereof, and none of the Issuer, the Trustee, the Borrower, the Underwriter, the Servicer, the Remarketing Agent or any of their respective counsel, members, officers or employees or Bond Counsel assumes any responsibility or liability therefor. The information is qualified in its entirety by reference to the Incorporated Documents, as defined below.

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

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

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

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

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

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

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

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

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

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

THE BORROWER AND THE PROJECT

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

The Project

The Project is located at 4160 Springlake Drive in San Leandro, California. Built in three phases in 1969, 1970 and 1971, the Project consists of 840 apartment units, including ten (10) manager’s units, located on 32.45 acres with approximately 25 units per acre. There are forty eight (48) two story walk up buildings on the property. The Project will be transferred to the Borrower on the Delivery Date and will continue to be known as Lakeside Village Apartments. The Borrower expects to spend approximately \$19,500,000 on the rehabilitation of the Project. Rehabilitation will consist of all new flooring, cabinets, appliances, fixtures, electrical upgrades, interior painting, exterior building upgrades, outdoor common area upgrades and certain site repairs. Rehabilitation is expected to commence in June 2012 and be completed in December 2014.

The site currently has two (2) fitness centers, twenty-five (25) laundry rooms, one (1) clubhouse, three (3) pools, assigned parking spaces, a game room and scenic waterways. The service amenities include twenty-four (24) hour emergency maintenance, courtesy patrol, and a full service leasing office and staff.

The unit mix of the Project is as follows:

Number Of Units	Composition	Approximate Square Footage
207	Studios – 1 Bath	570
452	1 Bedroom – 1 Bath	675
170	2 Bedroom – 1 Bath	900
1	2 Bedroom – 2 Bath	1,200
1 (manager’s unit)	Studios – 1 Bath	570
4 (manager’s unit)	1 Bedroom – 1 Bath	675
4 (manager’s unit)	2 Bedroom – 1 Bath	900
1 (manager’s unit)	2 Bedroom – 2 Bath	1,200

Regulatory Agreements

Tax Regulatory Agreement. The Regulatory Agreement and Declaration of Restrictive Covenants (the “Regulatory Agreement”) imposes certain requirements with respect to the tax exempt status of the Bonds under the Code, which include a set aside of at least 40% of the units for rental to persons or families having incomes at or below 60% of area median gross income, adjusted for family size and determined in accordance with Section 142(d) of the Code, with monthly rent restricted to one twelfth (1/12th) of thirty percent (30%) of sixty percent (60%) of area gross median income for a period not less than fifty-five (55) years. See “SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT” for a description of the requirements affecting the operation of the Project in order to assure compliance with the Code and state law.

Other Land Use Restriction Agreements. In addition, in connection with the low income housing tax credits being allowed to the Borrower in connection with the Project, the Borrower will execute a Land Use Restriction Agreement in accordance with Section 42 of the Code. The Land Use Restriction Agreement will, among other things, require that the Borrower lease 100% of the units in the Project to tenants earning 60% or less of the area median gross income, with the rents on these units being limited to 30% of an amount equal to 60% of area median income, adjusted for family size, all in accordance with Section 42 of the Code.

The Borrower

The Borrower is Standard Lakeside I LP, a California limited partnership, formed for the sole purpose of acquiring, constructing and operating the Project. The general partner of the Borrower, Standard Lakeside GP, LLC, a California limited liability company (the “General Partner”), is an affiliate of Standard Property Company and Jackson Square Properties and owns a 0.01% ownership interest in the Borrower.

Standard Property Company and Jackson Square Properties have been in the business of acquiring, developing, rehabilitating, owning and operating apartment complexes since 2004. Currently, the principals hold direct and indirect ownership interests in and operate over 8,000 units across the country and over 2,000 units in the State of California.

The Borrower nor the General Partner has not acquired and does not intend to acquire any substantial assets or engage in any substantial business activities other than those related to the Project.

Low Income Housing Tax Credits

Simultaneously with the issuance of the Bonds, the Borrower expects to sell a 99.99% ownership interest in the Borrower to BF Lakeside Village, LLC, an affiliate of Boston Financial Investment Management, LP. Pursuant to the sale, the funding of the tax credit equity is expected to total approximately \$41,760,748, with an initial contribution of \$1,000,000 anticipated to be funded at the Bond Closing. The funding levels and the timing of the funding are subject to numerous adjustments and conditions which could result in the amounts funded and/or the timing or even occurrence of the funding varying significantly from the projections set forth above and neither the Issuer nor the Underwriter makes any representation as to the availability of such funds.

The Contractor

The Contractor for the Development will be Restoration Systems Inc., a Tennessee corporation (the “Contractor”). The Contractor, its component construction companies and their staff, officers and

directors have been constructing and rehabilitating multifamily rental housing developments since 2001. The Contractor is a multifamily renovation specialist based in Memphis with offices located in Chicago, Los Angeles and Atlanta. The Contractor has over 50 years of combined experience in estimating and project management for multifamily apartment complexes throughout the United States. The Contractor has completed thousands of units worth of renovations as well as approximately 5 new construction projects.

The Architect

The architect for the exterior rehabilitation for the Development is CSAO, a California corporation (the “Architect”). The Architect has been the principal architect for dozens of mixed use and residential projects, including several multifamily developments. These include the award-winning Piggyback Yard Master Plan in Los Angeles, and the 1M-square foot Queen City Landing in Buffalo, to the renovation of a factory exterior and an interior remodel for Louis Vuitton in Southern California. The principals of the Architect have over 45 years of combined experience in the practice of architecture in North America, Europe and Asia. Marc Salette, project manager for the Lakeside Village improvements, has considerable experience in the design and management of large projects, including a 900-unit high-rise apartment building, in the technical design of building systems and in construction administration.

Property Management

The Project will be managed by Apartment Management Consultants, L.L.C., (the “Manager”). The Manager is not affiliated with the Borrower. The Manager has been involved in the management of apartment complexes since 2000 and currently manages approximately 210 apartment complexes comprising a total of approximately 53,000 units across the country.

Limited Recourse to Borrower

The Borrower and its partners will not (subject to certain exceptions to non-recourse liability set forth in the Financing Agreement and the Reimbursement Agreement) be personally liable for payments on the Bond Mortgage Note, the payments on which are to be applied to pay the principal of and interest on the Bonds; nor will the Borrower (subject to certain exceptions to non-recourse liability set forth in the Financing Agreement and the Reimbursement Agreement) be personally liable under the other documents executed in connection with the issuance of the Bonds and the making of the Bond Mortgage Loan. Furthermore, no representation is made that the Borrower will have substantial funds available for the Project. Accordingly, neither the Borrower’s financial statements nor those of its partners are included in this Official Statement.

THE SERVICER

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

The Servicer will be obligated, pursuant to its arrangements with Freddie Mac and Freddie Mac’s servicing requirements, to perform diligently all services and duties customary to the servicing of mortgages, as well as those specifically prescribed by Freddie Mac. Freddie Mac will monitor the Servicer’s performance and has the right to remove the Servicer with or without cause. The duties

performed by the Servicer include general loan servicing responsibilities, collection and remittance of principal and interest payments, administration of mortgage escrow accounts and collection of insurance claims.

CERTAIN BONDHOLDERS' RISKS

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

No Borrower Personal Liability

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

Credit Facility; Primary Security

While the Bonds bear interest at the Variable Rate, owners of the Bonds may tender their Bonds for purchase at any time upon seven days' notice. See "THE BONDS—Demand for and Mandatory Purchase of the Bonds" herein. It is therefore expected that, during any Variable Period, the primary security for the Bonds will be the Credit Enhancement Agreement delivered by Freddie Mac to the Trustee in order to pay the principal, interest and purchase price for the Bonds. See "—Enforceability and Bankruptcy" below. Based on this expectation, no financial information as to the creditworthiness of the Borrower or the value of the Project is included herein.

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

Limited Security

The Bonds are limited obligations of the Issuer payable solely from the Trust Estate.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE INDENTURE. NONE OF ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG"), THE MEMBERS OF THE ISSUER OR ABAG OR PROGRAM PARTICIPANTS OF THE ISSUER OR ABAG, OR THE STATE OF CALIFORNIA SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE ISSUER, ABAG, ANY OF THEIR MEMBERS OR PROGRAM PARTICIPANTS OR THE STATE OF CALIFORNIA TO PAY ALL OR ANY PORTION OF DEBT SERVICE DUE ON THE BONDS. THE BONDS AND

THE OBLIGATION TO PAY PRINCIPAL THEREOF AND INTEREST AND ANY REDEMPTION PREMIUM THEREON DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE ISSUER, ABAG, THE MEMBERS OR PROGRAM PARTICIPANTS 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 REVENUES DESCRIBED THEREIN. 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 PURCHASE PRICE OF, 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 THEREIN. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, ANY AGENCY THEREOF, OR OF FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC.

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

THE BONDS ARE NOT SUBJECT TO ACCELERATION OR REDEMPTION (UNLESS FREDDIE MAC SHALL CAUSE, IN ITS SOLE DISCRETION, SUCH 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 and the Regulatory Agreement, which are designed, if complied with, to satisfy the continuing compliance requirements the Code in order for the interest on the Bonds to be excludable from gross income for purposes of federal income tax. Under such circumstances, interest on the Bonds might become subject to federal income taxation retroactive to the date of issuance or some other subsequent date.

Early Redemption

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

Economic Feasibility

The economic feasibility of the Project depends in large part upon it being substantially occupied at projected rent levels. As referenced elsewhere in this Official Statement, there are numerous set asides and rent restrictions on the property. There can be no assurance that in the future the Borrower will be able to rent the units in the Project at rates which will enable it to make timely payments on the Bond Mortgage Loan.

Competing Facilities

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

Enforceability and Bankruptcy

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

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

Normal Risks

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

Environmental Matters

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

Management of the Project

The successful operation of the Project will depend, to a large extent, upon the management services provided by the manager of the Project and upon the ability of the Borrower to lease the units, keeping the Project substantially occupied through the term of the Bonds. There is no assurance that the manager will operate the Project on a profitable basis. There can be no assurance that the Project will be operated in a manner which will provide sufficient money to pay principal and interest on the Bonds and to operate and maintain the Project. See “THE BORROWER AND THE PROJECT” herein.

Effect of Increases in Operating Expenses

It is impossible to predict future increases in operating expenses. Substantial increases in operating expenses will affect future net operating income of the Project and the ability of the Borrower to meet its debt service obligations, primarily, its reimbursement obligations to the Credit Facility Provider.

Additional Bonds and Subordinate Financing

The Borrower may obtain additional financing for the Project at a future date. Such additional financing could be in the form of additional bonds issued by the Issuer. Additional bonds could be issued on a parity basis with the Bonds pursuant to a supplemental trust indenture provided that the issuance thereof was not materially adverse to the interest of the Bondholders. Such additional financing could also be in the form of a conventional loan the payment obligations with respect to which would be subordinate to or in some cases could be on parity with the Borrower’s payment obligations under the Bond Mortgage Loan. In either case, the increased repayment obligations of the Borrower could increase the likelihood of an early redemption of the Bonds. Any such redemption would be at a price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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

Establishment of Funds

The Indenture provides that the Trustee shall establish, maintain and hold in trust the following funds and accounts, each of which is established and each of which shall be disbursed and applied only as authorized under the Indenture:

- (a) Bond Mortgage Loan Fund, and within the Bond Mortgage Loan Fund a Project Account and a Borrower Equity Account;
- (b) Revenue Fund, and within the Revenue Fund a General Account and a Credit Facility Account;
- (c) Bond Fund, and within the Bond Fund a Purchased Bonds Account;
- (d) Redemption Fund;

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

The funds and accounts established pursuant to the Indenture shall be maintained in the corporate trust department of the Trustee as segregated trust accounts, separate and identifiable from all other funds held by the Trustee. The funds and accounts established under the Indenture shall bear a designation clearly indicating that the funds deposited therein are held for the benefit of (i) the Holders of the Bonds, respecting the Revenue Fund, the Bond Fund and the Redemption Fund, (ii) the Credit Facility Provider, respecting the Principal Reserve Fund, and (iii) the Borrower, respecting the Administration Fund and the Cost of Issuance Fund, and (iv) the Issuer, respecting the Rebate Fund. The Trustee shall, at the written direction of an Authorized Officer of the Issuer, and may, in its discretion, establish such additional accounts within any Fund, and subaccounts within any of the accounts, as the Issuer or the Trustee may deem necessary or useful for the purpose of identifying more precisely the sources of payments into and disbursements from that Fund and its accounts, or for the purpose of complying with the requirements of the Code relating to arbitrage, but the establishment of any such account or subaccount shall not alter or modify any of the requirements of the Indenture with respect to a deposit or use of money in the funds established under the Indenture, or result in commingling of funds not permitted under the Indenture.

Bond Mortgage Loan Fund

Deposit. The Trustee shall deposit the proceeds of the sale of the Bonds into the Project Account of the Bond Mortgage Loan Fund as provided in the Indenture. The Trustee shall deposit the Borrower Equity Deposit into the Borrower Equity Account of the Bond Mortgage Loan Fund, as well as any additional amounts delivered from time to time to the Trustee and directed by the Borrower or Servicer to be deposited therein (excluding any proceeds of the Bonds), as provided in the Indenture

Disbursements. Amounts on deposit in the Bond Mortgage Loan Fund shall be disbursed from time to time by the Trustee for the purpose of paying Costs of the Project. In addition, amounts in the Bond Mortgage Loan Fund shall be transferred to the Redemption Fund, the Rebate Fund and the Borrower at the times and in the manner provided in the Indenture.

Transfers and Requisitions. The Trustee shall make disbursements from the respective accounts of the Bond Mortgage Loan Fund for purposes described in the Indenture only upon the receipt of Requisitions signed by an Authorized Officer of the Borrower and countersigned by an Authorized Officer of the Servicer (signifying the consent to the Requisition by the Servicer). The Trustee shall have no right or duty to determine whether any requested disbursement from the Bond Mortgage Loan Fund complies with the terms, conditions and provisions of the Rehabilitation Escrow Agreement. The countersignature of the Authorized Officer of the Servicer on a Requisition shall be deemed a certification and, insofar as the Trustee and the Issuer are concerned, constitute conclusive evidence, that all of the terms, conditions and requirements of the Rehabilitation Escrow Agreement applicable to such disbursement have been fully satisfied or waived. The Trustee shall, immediately upon each receipt of a completed Requisition signed by an Authorized Officer of the Borrower and countersigned by an Authorized Officer of the Servicer, initiate procedures with the provider of a Qualified Investment to make withdrawals as necessary to fund the Requisition.

Notwithstanding anything to the contrary contained herein, no signature of an Authorized Officer of the Borrower shall be required during any period in which a default has occurred and is then continuing under the Bond Mortgage Loan or any Reimbursement Security Document (notice of which default has been given in writing by the Credit Facility Provider or the Servicer to the Trustee and the Issuer, and the Trustee shall be entitled to conclusively rely on any such written notice as to the occurrence and continuation of such a default).

Timing. If a Requisition signed by an Authorized Officer of the Borrower and countersigned by an Authorized Officer of the Servicer or (as permitted under the Indenture) solely by an Authorized Officer of the Servicer, is received by the Trustee, the requested disbursement shall be paid by the Trustee as soon as practicable, but in no event later than three (3) Business Days following receipt thereof by the Trustee. Upon final disbursement of all amounts on deposit in the Bond Mortgage Loan Fund, including all interest accrued therein, the Trustee shall close the Bond Mortgage Loan Fund.

Transfers to Effect Certain Mandatory Redemptions of Bonds. Immediately prior to any mandatory redemption of Bonds as described herein in paragraph (b) under the heading “THE BONDS – Mandatory Redemption,” any amount then remaining in the Bond Mortgage Loan Fund shall, at the written direction of the Credit Facility Provider, be transferred to the Redemption Fund to be applied to reimburse the Credit Facility Provider for the related redemption of Bonds as described herein in paragraph (b) under the heading “THE BONDS – Mandatory Redemption.” In addition, any amount remaining in the Project Account of the Bond Mortgage Loan Fund following completion of the rehabilitation of the Project in accordance with the Rehabilitation Escrow Agreement, evidenced by an instrument signed by the Credit Facility Provider, shall be transferred to the Redemption Fund and used to reimburse the Credit Facility Provider for the related redemption of Bonds as described herein in paragraph (e) under the heading “THE BONDS – Mandatory Redemption,” unless the Trustee receives an opinion of Bond Counsel (which shall also be addressed to the Credit Facility Provider) to the effect that a use of such money other than for the redemption of the Bonds will not adversely affect the tax exempt status of the Bonds; provided that any amounts in the Project Account of the Bond Mortgage Loan Fund in excess of the amount needed to reimburse the Credit Facility Provider for the related redemption of the Bonds shall be transferred to the Rebate Fund. In the event there are funds remaining in the Borrower Equity Account following completion of the rehabilitation of the Project in accordance with the Rehabilitation Escrow Agreement, evidenced by an instrument signed by the Credit Facility Provider, and provided no default by the Borrower exists under the Indenture or any Bond Mortgage Loan Document, such funds shall be paid by the Trustee to the Borrower at the written direction of the Credit Facility Provider.

Investment Income on Bond Mortgage Loan Fund. Amounts on deposit in the Bond Mortgage Loan Fund shall be invested as provided in the Indenture. All Investment Income on amounts on deposit in the Bond Mortgage Loan Fund shall be retained in and credited to and become a part of the amounts on deposit in the Bond Mortgage Loan Fund, and shall constitute part of any transfers required by the Indenture and described under this heading.

Application of Revenues

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 as described under the heading “Bond Mortgage Loan Fund” above; (ii) amounts paid pursuant to the Credit Facility, which shall be deposited in the Credit Facility Account; (iii) as otherwise described below with respect to certain deposits into the Redemption Fund; (iv) with respect to Investment Income to the extent required under the terms thereof to be retained in the

funds and accounts to which they are attributable; and (v) with respect to amounts required to be transferred between funds and accounts as provided in the Indenture.

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

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

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

THIRD: to the Redemption Fund from money in the Credit Facility Account (i) amounts paid to the Trustee under the Credit Facility to be applied to the mandatory redemption of all or a portion of the Bonds (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; and

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

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 described in paragraph (a) under the heading “THE BONDS—Mandatory Redemption” above; (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; 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; and (iv) amounts transferred to the Redemption Fund from the Bond Mortgage Loan Fund pursuant to the Indenture.

Should the amount in the Bond Fund be insufficient to pay the amount due on the Bonds on any given Interest Payment Date or other payment date after the transfers from the Credit Facility Account, the Trustee 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 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; and (3) at the written direction of the Credit Facility Provider, the Principal Reserve Fund.

At the written direction of the Borrower, and with the written consent of the Credit Facility Provider, and a certificate signed by the Servicer setting forth that no default exists under any Bond Mortgage Loan Document, Investment Income deposited into the General Account of the Revenue Fund

shall be paid to the Borrower semiannually on each April 1 and October 1, commencing the first April 1 or October 1 following the Required Completion Date, so long as (i) there is no deficiency in the Principal Reserve Fund, the Hedge Fee Escrow, the Administration Fund, the Rebate Fund or any Custodial Escrow Account, (ii) no default exists under the Bond Mortgage Loan and (iii) no event of default exists under any Bond Mortgage Loan Document.

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 described 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.

Any Investment Income on amounts on deposit 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.

Application of Redemption Fund

Any money credited to the Redemption Fund shall be applied as described under the heading "Application of Revenues" above; 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 under the heading "Application of Revenues" above 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 accordance with the Indenture in the General Account of the Revenue Fund is insufficient to make up such deficiency, provided that no money to be used to effect a redemption for which a conditional notice of redemption, the conditions of which have been satisfied, or an unconditional notice of redemption has been provided or money which is held for payment of Bonds which are no longer Outstanding shall be so transferred to the Bond Fund.

On or before each Interest Payment Date, any Investment Income on amounts on deposit 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.

Principal Reserve Fund

There shall be deposited into the Principal Reserve Fund the Principal Reserve Schedule Payments in accordance with the Reimbursement Agreement. Any Investment Income on amounts on deposit in the Principal Reserve Fund shall be deposited into the Principal Reserve Fund and, provided that the Trustee has not received notice from the Servicer of a deficiency in the Principal Reserve Fund, the Hedge Fee Escrow or other Custodial Escrow Account, and there is no deficiency in the Administration Fund or the Rebate Fund, and the Trustee has not received notice that a default exists

under any of the Bond Mortgage Loan Documents, shall be paid to the Borrower on the Interest Payment Date next succeeding receipt of such interest or profits by the Trustee. In addition, there shall be deposited into the Principal Reserve Fund remarketing proceeds relating to Purchased Bonds, which shall be used to reimburse the Credit Facility Provider in an amount equal to the amount of any Liquidity Advance paid to the Trustee to purchase Bonds on any Settlement Date.

At the written direction of the Credit Facility Provider, the 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 thereof 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, each Variable Rate Adjustment Date and on the Fixed Rate Adjustment Date, amounts on deposit in the Principal Reserve Fund shall be used to reimburse the Credit Facility Provider in an amount equal to any Guaranteed Payment made by the Credit Facility Provider to the Trustee under the Credit Facility to redeem Bonds as described in paragraph (d) under the heading “THE BONDS—Mandatory Redemption” above.

On any Interest Payment Date, to the extent of any deficiency in the Bond Fund, to the extent money then available in accordance with the Indenture in the General Account of the Revenue Fund and the Redemption Fund is 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 and reimbursement of the Credit Facility Provider for all amounts drawn under the Credit Facility shall be applied as described under the heading “Amounts Remaining in Funds” below.

Rebate Fund

The Rebate Fund shall be established by the Trustee and held and applied as described under this heading. 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 set forth in the Tax Certificate) and as calculated by the Rebate Analyst, for payment to the government of the United States of America, 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.

Within 55 days of the end of each fifth Bond Year, the Borrower shall cause the Rebate Analyst to calculate the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into account any exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code)), for this purpose treating the last day of the applicable Bond Year as a (computation) date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the “Rebatable Arbitrage”). Pursuant to the Financing Agreement, the Borrower shall cause the Rebate Analyst to provide such calculations to the Trustee and the Issuer. In the event that the Borrower fails to provide such information to the Trustee and the Issuer within 55 days of the end of each fifth Bond Year, the Trustee, at the expense of the Borrower, shall select the Rebate Analyst, with the prior written approval of the Issuer, and shall cause the Rebate Analyst to calculate the amount of rebatable arbitrage as required therein.

Within 55 days of the end of each fifth Bond Year, upon the written direction of the Issuer, Bond Counsel or the Rebate Analyst, an amount shall be deposited to the Rebate Fund by the Trustee from amounts provided by the Borrower, if and to the extent required so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated as described in the preceding paragraph.

The Trustee shall pay, as directed by the Issuer, Bond Counsel or the Rebate Analyst, to the United States Department of the Treasury, out of amounts in the Rebate Fund:

- (i) Not later than 60 days after the end of (A) the fifth Bond Year, and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and
- (ii) Not later than 60 days after the payment of all the Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

Each payment required to be made under this Section shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 (or such other address provided in such direction), on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038 T, which shall be prepared by the Rebate Analyst and provided to the Trustee.

Notwithstanding any provision of the Indenture to the contrary, the obligation to remit payment of the Rebatable Arbitrage to the United States of America and to comply with all other requirements of the Financing Agreement and the Indenture, and the requirements of the Tax Certificate shall survive the defeasance or payment in full of the Bonds.

Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Trustee, shall be withdrawn and remitted to the Borrower.

The Trustee shall obtain and keep such records of the computations made pursuant to the Indenture as are required under Section 148(f) of the Code to the extent furnished to the Trustee. The

Borrower shall or shall cause the Rebate Analyst to provide to the Issuer and the Trustee copies of all rebate computations made pursuant to the Indenture. The Trustee shall keep and make available to the Borrower such records concerning the investments of the gross proceeds of the Bonds and the investments of earnings from those investments made by the Trustee as may be requested by the Borrower in order to enable the Borrower to cause the Rebate Analyst to make the aforesaid computations as are required under Section 148(f) of the Code.

Notwithstanding the foregoing, the computations and payments of Rebateable Arbitrage need not be made to the extent that neither the Issuer nor the Borrower will thereby fail to comply with any requirements of Section 148(f) of the Code based on an opinion of Bond Counsel addressed to the Issuer, the Trustee and the Remarketing Agent, to the effect that such failure will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds, a copy of which shall be provided to the Trustee, at the expense of the Borrower.

Administration Fund

The Trustee shall deposit into the Administration Fund, promptly upon receipt thereof, all amounts received from the Servicer and the Borrower designated for deposit into such fund. Amounts in the Administration Fund shall be withdrawn or maintained, as appropriate, by the Trustee and used FIRST, to pay to the Trustee when due the Ordinary Trustee's Fees and Expenses; SECOND, to pay to the Issuer when due the Issuer Fee; THIRD, 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; FOURTH, 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; FIFTH, 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; SIXTH, 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; SEVENTH, 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; EIGHTH, 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; NINTH, 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; TENTH, to make up any deficiency in the Redemption Fund on any redemption date of Bonds, to the extent money then available in accordance with the Indenture in the Redemption Fund is insufficient to redeem Bonds called for redemption on such redemption date; ELEVENTH, to pay to the Dissemination Agent the Dissemination Agent's Fee, when due; 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 (to the extent not paid under clause FIFTH); 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 described 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 Business Days to the Trustee of the amount of such deficiency. Upon payment by the Borrower of such deficiency, the amounts for which such deficiency was requested shall be paid by the Trustee.

On or before each Interest Payment Date, any Investment Income on amounts on deposit 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.

Cost of Issuance Fund

The Trustee shall use money on deposit to the credit of the Cost of Issuance Fund to pay the costs of issuance on the Delivery Date or as soon as practicable thereafter in accordance with written instructions to be given to the Trustee by the Borrower, as set forth in the closing memorandum prepared by the underwriter for the Bonds (and accepted and agreed to by the Issuer and the Borrower) on the Delivery Date or by Requisition, upon delivery to the Trustee of appropriate invoices for such expenses. Amounts in the Cost of Issuance Fund funded with proceeds of the Bonds, if any, shall be expended prior to the application of the Costs of Issuance Deposit. Investment Income on amounts on deposit in the Cost of Issuance Fund shall be retained in such fund. Amounts remaining on deposit in the Cost of Issuance Fund six (6) months after the Delivery Date shall be transferred to the Borrower. Upon such final disbursement, the Trustee shall close the Cost of Issuance Fund.

Investment of Funds

The money held by the Trustee shall constitute trust funds for the purposes of the Indenture. Any money attributable to each of the funds and accounts under the Indenture shall be, except as otherwise expressly provided in the Indenture, invested by the Trustee, at the written direction of the Borrower (or, in the case of the Rebate Fund, as provided in the Indenture), in Qualified Investments which mature or shall be subject to redemption or withdrawal at par without penalty on or prior to 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 under the Indenture 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 amounts on deposit in the Credit Facility Account of the Revenue Fund 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 redemption or withdrawal at par without penalty on or prior to the earlier of (i) 30 days from the date of investment and (ii) the date such money is required to be applied pursuant to the provisions of the Indenture. In the absence of written direction from the Borrower, the Trustee shall invest amounts on deposit in the funds and accounts established under the Indenture in Government Obligations or in investments of the type described in subparagraph (g) of the definition of Qualified Investments which shall have the same maturity and other restrictions as set forth above. Such investments may be made through the investment or securities department of the Trustee. The Trustee may purchase from or sell to itself or an affiliate, as principal or agent, securities authorized in the Indenture. 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 is a Qualified Investment remains a Qualified Investment thereafter.

Amounts on deposit in the Principal Reserve Fund shall be invested 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 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 by the Indenture 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 with the indenture.

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

Money Held for Particular Bonds; Funds 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 for such purpose at any time pursuant to the terms of the Indenture shall be assigned, transferred and set over unto the Trustee in trust for the purposes and under the terms and conditions of the Indenture.

Amounts Remaining in Funds

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

Payments Under Bond Mortgage Loan

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

Drawings Under Credit Facility

The Credit Facility 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, 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.

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 or Electronic Notice 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.

Events of Default; Acceleration; Remedies

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

- (a) failure to pay the principal or Purchase Price of, premium, if any, or interest on any Bond (other than Purchased Bonds) when due, whether on an Interest Payment Date, at the stated maturity thereof, by proceedings for redemption thereof, by acceleration or otherwise; or
- (b) failure by the Credit Facility Provider to make when due a required payment under the Credit Facility; or
- (c) failure to observe or perform any of the covenants, agreements or conditions on the part of the Issuer (other than those relating to the payment of the principal of, premium, if any, the Purchase Price of and interest on the Bonds) set forth 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 as described in paragraph (b) above has occurred and is then continuing) 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.

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.

Upon the occurrence of an Event of Default described in paragraph (b) under this heading, 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 this heading), 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 the 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 upon 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 this heading 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 Issuer, 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 under the Indenture 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 this heading 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 or 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 as described in paragraph (b) under this heading has occurred and is continuing), may also proceed to protect and enforce any rights of the Trustee and, to the full extent that the Holders of such Bonds themselves might do, the rights of such Bondholders under the laws of the State or under the Indenture by such of the following remedies as the Trustee shall deem most effectual to protect and enforce such rights; provided that, so long as no Event of Default as described in paragraph (b) under this heading has occurred and is then continuing, the Trustee may undertake any such remedy only upon the receipt of the prior written consent of the Credit Facility Provider (which consent may be given in the sole discretion of the Credit Facility Provider):

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

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

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

(iv) 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 under the Indenture or under the Financing Agreement, the 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 under the Indenture, 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 the occurrence of an Event of Default shall be subject to the provisions of the Intercreditor Agreement.

Rights of Bondholders

If an Event of Default described in paragraph (b) under the heading “Events of Default; Acceleration; Remedies” 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 described in paragraph (b) under the heading “Events of Default; Acceleration; Remedies” 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 as described under the heading “Remedies of Bondholders” below, 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.

Application of Money After Default

All money (other than amounts drawn from the Credit Facility as described under the heading “Events of Default; Acceleration; Remedies” above) collected by the Trustee at any time pursuant to the provisions of the Indenture relating to Events of Default shall, except to the extent, if any, otherwise directed by a court of competent jurisdiction, be credited by the Trustee to the General Account of the Revenue Fund. Such money so credited to the General Account of the Revenue Fund and all other money from time to time credited to the General Account of the Revenue Fund shall at all times be held, transferred, withdrawn and applied as prescribed by the provisions of the Indenture.

In the event that at any time the money credited to the Revenue Fund, the Bond Fund, the Redemption Fund and the Principal Reserve Fund available for the payment of interest or principal then due with respect to the Bonds shall be insufficient for such payment, such money (other than money held for the payment or redemption of particular Bonds as provided in the Indenture and amounts drawn from the Credit Facility as described under the heading “Events of Default; Acceleration; Remedies” above) shall be applied as follows and in the following order of priority:

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

(b) So long as no Event of Default as described in paragraph (b) under the heading “Events of Default; Acceleration; Remedies” above has occurred and is then continuing, for the payment to the Credit Facility Provider of all amounts then due and unpaid under the Reimbursement Agreement (including with respect to Freddie Mac all Freddie Mac Credit Enhancement Fees and Freddie Mac Reimbursement Amounts).

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

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

SECOND: to the payment to the Persons entitled thereto of the unpaid principal of and premium, if any (which payment of premium shall not be restricted to Eligible

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

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

(e) If an Event of Default as described in paragraph (b) under the heading “Events of Default; Acceleration; Remedies” above has occurred and is then continuing for the payment to the Credit Facility Provider of all amounts then due and unpaid under the Reimbursement Agreement to the date of such Event of Default.

Remedies of Bondholders

No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust under the Indenture or for the appointment of a receiver or any other remedy under the Indenture, unless (a) a default shall have occurred of which the Trustee shall have been notified as provided in the Indenture; (b) such default shall have become an Event of Default described in paragraph (b) under the heading “Events of Default; Acceleration; Remedies” 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 granted by the Indenture 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 granted by the Indenture, or to institute such action, suit or proceeding; it being understood and intended that no one or more Holders of the Bonds will have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture or the rights of any other Holders of Bonds or to obtain priority or preference over any other Holders or to enforce any right under the Indenture, except in the manner provided in the Indenture with respect to the equal and ratable benefit of all Holders of Bonds with respect to which there is a default. Nothing contained in the Indenture will, however, affect or impair the right of any Bondholder to enforce the payment of the principal of, the premium, if any, and interest on any Bond at the maturity thereof or the obligation of the Issuer to pay the principal of, premium, if any, and interest on the Bonds issued under the Indenture to the respective holders thereof, at the time, in the place, from the sources and in the manner expressed in the Indenture and in said Bonds.

Rights of the Credit Facility Provider

If an Event of Default described in paragraph (a) or (c) under the heading “Events of Default; Acceleration; Remedies” above has occurred and so long as no Event of Default as described in paragraph

(b) under the heading “Events of Default; Acceleration; Remedies” above has occurred and is continuing, 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 in 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 or a committee of Responsible Officers, shall deem to be in the best interest of the Bondholders and the Credit Facility Provider; provided, however, that in any event, so long as no Event of Default as described in paragraph (b) under the heading “Events of Default; Acceleration; Remedies” above has occurred and is then continuing, the Trustee may not undertake any action to realize, through sale or otherwise, upon the Bond Mortgage Loan without the express written direction of the Credit Facility Provider. So long as no Event of Default as described in paragraph (b) under the heading “Events of Default; Acceleration; Remedies” above has occurred and is then continuing, in the case of an Event of Default described in paragraph (a) or (c) under the heading “Events of Default; Acceleration; Remedies” 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 Not Requiring Consent of Bondholders

The Issuer and the Trustee may from time to time and at any time, without the consent of, or notice to, any of the Bondholders, but with the prior written consent of the Credit Facility Provider and the Borrower (provided no Event of Default has occurred and is continuing under the Bond Mortgage Loan Documents), enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

- (a) to cure any formal defect, omission, inconsistency or ambiguity in the Indenture in a manner not materially adverse to the Holder of any Bond to be Outstanding after the effective date of the change;
- (b) to grant to or confer upon the Trustee for the benefit of the Holders of the Bonds any additional rights, remedies, powers or authority that may lawfully be granted or conferred and that are not contrary to or inconsistent with the Indenture or the rights of the Trustee under the Indenture as theretofore in effect;
- (c) to subject to the lien and pledge of the Indenture additional revenues, properties or collateral;
- (d) to modify, amend or supplement the Indenture or any indenture supplemental to the Indenture in such manner as to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute in effect or to permit the qualification of the Bonds for sale under any state blue sky laws;
- (e) to make such additions, deletions or modifications as may be necessary, in the opinion of Bond Counsel delivered to the Issuer, the Trustee and the Credit Facility Provider, necessary to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds;

(f) to modify, amend or supplement the Indenture as required by the Rating Agency to obtain or maintain a rating or ratings for the Bonds, except no change may be made that will 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 under the heading “Supplemental Indentures Requiring Consent of Bondholders” below, (i) if notice of the proposed supplemental indenture is given to Bondholders (in the same manner as notices of redemption are given) at least 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 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 requirements; and

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

Supplemental Indentures Requiring Consent of Bondholders

With the prior written consent of the Credit Facility Provider, 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 to the Indenture as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing in the Indenture 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 modification 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 under this heading, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed, postage prepaid, to all registered Bondholders and to the Credit Facility Provider.

Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the corporate trust office of the Trustee for inspection by all Bondholders.

Thirty days after the date of the mailing of such notice, the Issuer and the Trustee may enter into such supplemental indenture substantially in the form described in such notice, but only if there shall have first been or is simultaneously delivered to the Trustee the required consents, in writing, of the Credit Facility Provider and the Holders of not less than the percentage of Bonds required by the Indenture and described in this heading. If the Holders of not less than the percentage of Bonds required by the Indenture and described in this heading shall have consented to and approved the execution and delivery of a supplemental indenture as provided in the Indenture, 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 in the Indenture permitted and provided, the Indenture shall be and be deemed to be modified and amended in accordance therewith. The Trustee may rely upon an opinion of counsel as conclusive evidence that execution and delivery of a supplemental indenture has been effected in compliance with the provisions of the Indenture.

Anything in the Indenture to the contrary notwithstanding, unless the Borrower shall then be in default of any of its obligations under the Financing Agreement, the Reimbursement Agreement, the Regulatory Agreement, the Bond Mortgage Note, the Bond Mortgage or the Reimbursement Mortgage, a supplemental indenture which affects any rights of the Borrower shall not become effective unless and until the Borrower and its limited partner 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 and its limited partner or the Borrower's attorney at least 15 days prior to the proposed date of execution and delivery of any supplemental indenture.

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

Amendments to Financing Agreement Not Requiring Consent of Bondholders

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

- (a) as may be required by the provisions of the Credit Facility, the Financing Agreement or the Indenture;
- (b) to cure any formal defect, omission, inconsistency or ambiguity in the Financing Agreement in a manner not materially adverse to the Holder of any Bond to be Outstanding after the effective date of the change;
- (c) to make such additions, deletions or modifications as may be necessary, in the opinion of Bond Counsel delivered to the Issuer, the Trustee and the Credit Facility Provider, to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds;

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

(e) during a Variable Period, to modify, amend or supplement the Financing Agreement in any other respect, including amendments which would otherwise be described under the heading “Amendments to Financing Agreement Requiring Consent of Bondholders” below, (i) if notice of the proposed amendments is given to Bondholders (in the same manner as notices of redemption are given) at least 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;

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

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

Amendments to Financing Agreement Requiring Consent of Bondholders

Except for the amendments, changes or modifications of the Financing Agreement described under the heading “Amendments to Financing Agreement Not Requiring Consent of Bondholders” above, neither the Issuer nor the Trustee shall consent to any other amendment, change or modification of the Financing Agreement without the consent of the Credit Facility Provider and the Borrower and without the giving of notice and the written approval or consent of the Holders of at least 51% of the aggregate principal amount of the Bonds then Outstanding given and procured in accordance with the procedure set described under the heading “Supplemental Indentures Requiring Consent of Bondholders” above; provided, however, that nothing described under this heading shall permit, or be construed as permitting, any amendment, change or modification of the Borrower’s obligation to make the payments required under the Financing Agreement without the consent of the Holders of all of the Bonds then Outstanding. If at any time the Issuer and the Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification of the Financing Agreement, the Trustee shall cause notice of such proposed amendment, change or modification to be given in the same manner described under the heading “Supplemental Indentures Requiring Consent of Bondholders” above. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal office of the Trustee for inspection by Bondholders.

Amendments to the Credit Facility

The Trustee may, without the consent of, or notice to, any of the Bondholders enter into any amendment, change or modification of the Credit Facility (a) as may be required by the provisions of the Credit Facility, (b) to cure any formal defect, omission, inconsistency or ambiguity in the Credit Facility, (c) in a manner which is not prejudicial to the interests of the Bondholders as determined by the Trustee being advised by counsel, a committee of Responsible Officers or by a written confirmation from the Rating Agency of the then existing rating on the Bonds, or (d) as required by the Rating Agency to maintain the then current rating on the Bonds.

Opinion of Bond Counsel Required

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

Trustee

The Trustee, prior to an Event of Default under the Indenture 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 their 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 under the Indenture, and after the curing or waiver 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 with regard to the performance of such duties and obligations as are specifically set forth in the Indenture; and

(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 a willful misconduct or negligence by the officer or the 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 than 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.

There shall at all times be a Trustee under the Indenture which shall be an association or a corporation organized and doing business under the laws of the United States of America or any state thereof, authorized under such laws to exercise corporate trust powers. Any successor Trustee shall have a combined capital and surplus of at least \$50,000,000 (or shall be a wholly-owned subsidiary of an association or corporation that has such combined capital and surplus), and be subject to supervision or examination by federal or state authority, or shall have been appointed by a court of competent jurisdiction pursuant to the Indenture.

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 as provided in the Indenture 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 and the Borrower (which consent of the Credit Facility Provider and/or the Borrower shall not be unreasonably withheld), by a written instrument signed by the Issuer and delivered to the Trustee, the Borrower, the Tender Agent and the Remarketing Agent, and if an Event of Default shall have occurred and be continuing, other than an Event of Default described in paragraph (b) under the heading "Events of Default; Acceleration; Remedies" above, by a written instrument signed by the Credit Facility Provider and delivered to the Trustee, the Issuer, the Borrower, the Tender Agent and the Remarketing Agent. The Trustee may also be removed, if an Event of Default described in paragraph (b) under the heading "Events of Default; Acceleration; Remedies" above 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 or the Borrower, with the consent of 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, if applicable, the Borrower, 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 until a successor Trustee has been appointed and has accepted such appointment and has agreed in writing to be bound by the duties and obligations of the Trustee under the Intercreditor Agreement.

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

Discharge of Lien

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 whether by redemption, purchase or otherwise, and (ii) 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 under the Indenture and under the Credit Facility and the Reimbursement Agreement, including but not limited to the Freddie Mac Reimbursement Amount and the Freddie Mac Credit Enhancement Fee, and shall have paid all fees and expenses of 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 by the Indenture 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 hereof, and reconvey to the Issuer the estate by the Indenture 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 of America pursuant to the Indenture 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 described in the preceding paragraph if, under circumstances which do not cause interest on the Bonds to become includable in the Holders' gross income for purposes of federal income taxation, the following conditions shall have been fulfilled: (a) in case such Bond is to be redeemed on any date prior to its maturity, the Trustee shall have given to the Bondholder irrevocable notice of redemption of such Bond on said date; (b) there shall be on deposit with the Trustee either money or direct obligations of the United States of America in an amount, together with anticipated earnings thereon (but not including any reinvestment of such earnings), which shall be sufficient to pay, when due, the principal or redemption price, if applicable, and interest due and to become due on such Bond on the redemption date or maturity date thereof, as the case may be; (c) in the case of Bonds which do not mature or will not be redeemed within 60 days of such deposit, the Trustee 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; (d) the Trustee shall have received an opinion of nationally recognized bankruptcy counsel, if required by subpart (e) of the definition of "Eligible Funds" herein, to the effect that such money constitutes Eligible Funds; and (e) the Trustee shall have received an opinion of Bond Counsel to the effect that the defeasance of the Bonds is in accordance with the provisions of the Indenture and that such defeasance

will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Notwithstanding anything in the Indenture, the provisions described under the heading “Discharge of Lien” above and under the headings “Discharge of Liability on Bonds” and “Payment of Bonds after Discharge” below shall not apply during any period during which the Bonds bear interest at a Variable Rate.

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

Discharge of Liability on Bonds

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture and described under the heading “Discharge of Lien” above) to pay or redeem Outstanding Bonds (whether upon or prior to their maturity or the redemption date of such Bonds) provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, all liability of the Issuer in respect of such Bonds shall cease, terminate and be completely discharged, except only that thereafter the holders thereof shall be entitled to payment by the Issuer, and the Issuer shall remain liable for such payment, but only out of the money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture as described under the heading “Payment of Bonds After Discharge of Indenture” above.

Payment of Bonds After Discharge of Indenture

Notwithstanding any provisions of the Indenture, and subject to applicable unclaimed property laws of the State, any money deposited with the Trustee or any paying agent in trust for the payment of the principal of, interest or premium on the Bonds remaining unclaimed for two (2) years after the payment thereof to the extent permitted by applicable law, shall be paid to the Borrower, whereupon all liability of the Issuer and the Trustee with respect to such money shall cease, and the holders of the Bonds shall thereafter look solely to the Borrower for payment of any amounts then due. All money held by the Trustee and subject to the Indenture shall be held uninvested and without liability for interest thereon.

Deposit of Money or Securities with Trustee

Whenever in the Indenture it is provided or permitted that there be deposited with or credited to the account of or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held shall be Eligible Funds (or Government Obligations purchased with Eligible Funds) consisting of:

- (a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which there shall have been furnished to the Trustee proof satisfactory to it that notice of such redemption on a specified redemption date has been duly given or provision satisfactory to the Trustee shall be made for such notice, the amount so to be deposited or held shall be the principal amount of such Bonds and interest thereon to the redemption date, together with the redemption premium, if any; or

(b) noncallable and nonprepayable direct obligations of the United States of America or noncallable and nonprepayable obligations which as to principal and interest constitute full faith and credit obligations of the United States of America, in such amounts and maturing at such times that the proceeds of said obligations received upon their respective maturities and interest payment dates, without further reinvestment, will provide funds sufficient, in the opinion of a nationally recognized firm of certified public accountants, to pay the principal, premium, if any, and interest to maturity, or to the redemption date, as the case may be, with respect to all of the Bonds to be paid or redeemed, as such principal, premium and interest become due; provided that the Trustee shall have been irrevocably instructed by the Issuer to apply the proceeds of said obligations to the payment of said principal, premium, if any, and interest with respect to such Bonds.

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT

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

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 equal to the principal amount of the Bonds; (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 have acknowledged and agreed that (i) selection or removal of any Servicer is in the sole and absolute discretion of the Credit Facility Provider; (ii) neither the Issuer nor the Trustee 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 Guide is subject to amendment without the consent of the Trustee, the Issuer or the Borrower and the Commitment is subject to amendment without the consent of the Trustee or the Issuer; 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 as provided in the Bond Mortgage Note, and in all instances 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 under the Financing Agreement on a dollar for dollar basis. If for any reason the Bond Mortgage Note or any provision of the Bond Mortgage Note 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. Any payments made by the Borrower under any Hedge Agreement shall not reduce or otherwise affect the Borrower's obligations to repay the Bond Mortgage Loan. The Borrower shall remain liable to make all payments necessary under the Financing Agreement to repay the Bond Mortgage Loan notwithstanding the payment by the Borrower under any Hedge Agreement.

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 setoff, recoupment, counterclaim, abatement or otherwise. Any payments made by the Borrower under any Hedge Agreement shall not reduce or otherwise affect the Borrower's obligations to repay the Bond Mortgage Loan. The Borrower shall remain liable to make all payments necessary under the Financing Agreement to repay the Bond Mortgage Loan notwithstanding the payment made by the Borrower under any Hedge Agreement.

Subject to the Intercreditor Agreement and certain provisions of the Financing Agreement, the following obligations of the Borrower shall be and remain the joint and several full recourse obligations of the Borrower and each of the Borrower's general partners, payable from and enforceable against any and all income, assets and properties of the Borrower: (i) the Borrower's obligations to the Issuer and the Trustee under the Financing Agreement; (ii) the Borrower's obligations under the Financing Agreement; (iii) the Borrower's obligation to pay any and all rebate amounts that may be or become owing with respect to the Bonds and fees and expenses of the Rebate Analyst as provided in the Financing Agreement and the Tax Certificate; and (iv) the Borrower's obligation to pay legal fees and such expenses under the Financing Agreement.

Payment of Certain Fees and Expenses Under the Bond Mortgage Note

In addition to the payments described under the heading "Bond Mortgage Loan Payments; Independent Obligation of Borrower" above, payments to be made by the Borrower under the Bond Mortgage Note include certain money to be paid in respect of, among others, the Bond Fee Component, the Ordinary Servicing Fees and Expenses, the Freddie Mac Credit Enhancement Fee, the Principal Reserve Schedule payments pursuant to the Financing Agreement, any annual rating maintenance fees of the Rating Agency and amounts required to be deposited in a Custodial Escrow Account pursuant to the Bond Mortgage Loan Documents, as provided in the Financing Agreement. To the extent that any portion of 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 a Custodial Escrow Account remain due and owing at any time, such amounts remaining due and owing 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 is insufficient for such purposes. All other fees and expenses shall be payable from money of the Borrower as provided in the Financing Agreement.

Prepayment of the Bond Mortgage Loan

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

The Bonds are subject to redemption in accordance with the terms and conditions set forth in the Indenture. The Borrower shall prepay the Bond Mortgage Loan in each instance in which Bonds are required to be redeemed pursuant to 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, 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, (a) the amount to be prepaid, (b) the date on which the prepayment will be made by the Borrower, and (c) 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.

Principal Reserve Fund

The Borrower shall make payments to the Servicer for remittance to the Trustee for deposit into the Principal Reserve Fund at the times and in the amounts set forth in the Reimbursement Agreement. Amounts on deposit in the Principal Reserve Fund shall be applied as provided in the Indenture. Amounts on deposit in the Principal Reserve Fund shall not be credited against the principal amount of the Bond Mortgage Note or be deemed to be interest payments on the Bond Mortgage Loan until the date such amounts are withdrawn from the Principal Reserve Fund and used to reimburse the Credit Facility

Provider for amounts paid under the Credit Facility to redeem or otherwise pay principal of or interest on the Bonds.

Events of Default and Remedies

Events of Default. The following shall be “Events of Default” under the Financing Agreement and the term “Event of Default” shall mean, whenever it is used in the Financing Agreement, one or all of the following events:

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

(b) Failure by the Borrower to pay any amounts due under the Financing Agreement, the Bond Mortgage Note or the Bond Mortgage at the times and in the amounts required by the Financing Agreement, the Bond Mortgage Note and the Bond Mortgage, as applicable, provided that with respect to any non-scheduled payments due under the Financing Agreement, the Bond Mortgage Note or the Bond Mortgage, such failure to pay shall not be a default until five (5) days following written notice of failure to pay, provided that with respect to any non-scheduled payments due under the Financing Agreement, the Bond Mortgage Note or the Bond Mortgage, such failure to pay shall not be a default until five (5) days following written notice to the Borrower (with a copy to the Borrower’s limited partner) of failure to pay;

(c) The Borrower’s failure to observe and perform any of its other covenants, conditions or agreements contained in the Financing Agreement, other than as referred to in clause (a) above, for a period of 30 days after written notice to the Borrower (with a copy to the Borrower’s limited partner) 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

(d) The occurrence of an Event of 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 described under this heading 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 Financing Agreement and provisions of the Intercreditor Agreement, whenever any Event of Default under the Financing Agreement shall have occurred and be continuing, the Trustee or the Issuer where so provided may take any one or more of the following remedial steps:

(a) The Issuer 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 the 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 provisions of the Financing Agreement relating to Events of Default thereunder 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 provisions of the Financing Agreement relating to Events of Default shall be applied in accordance with the provisions of the Indenture.

The provisions of the Financing Agreement relating to Events of Default are subject to the further limitation that if, after any Event of Default under the Financing Agreement 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 under the Financing Agreement, 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 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.

Obligations of Borrower Are Non-Recourse

Except as described in the Financing Agreement, the obligations of the Borrower under the Financing Agreement (other than the Borrower's indemnification obligations, obligations to pay fees and expenses under the Financing Agreement and to pay rebate to the federal government, if any) are non-recourse obligations of the Borrower to the same extent as provided in the Bond Mortgage Loan Documents.

SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT

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

In the Regulatory Agreement, the Issuer, the Borrower and the Trustee each made certain covenants for the purpose of preserving the exclusion from gross income of interest on the Bonds for purposes of Federal income taxation and qualifying the Project for the Tax Credits (as defined therein) by regulating and restricting the use and occupancy of the Project as set forth therein. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Regulatory Agreement, a copy of which is on file with the Trustee.

Definitions and Interpretation

Terms not otherwise defined in the Regulatory Agreement shall have the meaning assigned to them in the Indenture or the Regulatory Agreement. The following terms shall have the respective meanings assigned to them unless the context in which they are used clearly requires otherwise:

“Administrator” means any administrator or program monitor appointed by the Issuer to administer the Regulatory Agreement, and any successor administrator appointed by the Issuer.

“Area” means the Metropolitan Statistical Area or County, as applicable, in which the Project is located, as defined by the United States Department of Housing and Urban Development.

“Available Units” means residential units in the Project that are actually occupied and residential units in the Project that are vacant and have been occupied at least once after becoming available for occupancy, provided that (a) a residential unit that is vacant on the later of (i) the date the Project is acquired or (ii) the issue date of the Bonds is not an Available Unit and does not become an Available Unit until it has been occupied for the first time after such date, and (b) a residential unit that is not available for occupancy due to renovations is not an Available Unit and does not become an Available Unit until it has been occupied for the first time after the renovations are completed.

“CDLAC” means the California Debt Limit Allocation Committee or its successors.

“Certificate of Continuing Program Compliance” means the Certificate to be filed by the Borrower with the Administrator pursuant to the Regulatory Agreement, which shall be substantially in the form attached as Exhibit C to the Regulatory Agreement or in such other comparable form as may be provided by the Issuer to the Borrower, or as otherwise approved by the Issuer.

“City” means the City of San Leandro, California.

“Closing Date” means the date the Bonds are released, modified and delivered.

“County” means the County of Alameda, California.

“Deed of Trust” means the “Bond Mortgage” as defined in the Indenture.

“Gross Income” means the gross income of a person (together with the gross income of all persons who intend to reside with such person in one residential unit) as calculated in the manner prescribed in under Section 8 of the Housing Act in effect as of the Closing Date.

“Housing Act” means the United States Housing Act of 1937, as amended, or its successor.

“Housing Law” means Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code, as amended.

“Income Certification” means a Tenant Income Certification and a Tenant Income Certification Questionnaire in the form attached as Exhibit B to the Regulatory Agreement or in such other comparable form as may be provided by the Issuer to the Borrower, or as otherwise approved by the Issuer.

“Low Income Tenant” means a tenant occupying a Low Income Unit.

“Low Income Unit” means any Available Unit if the aggregate Gross Income of all tenants therein does not exceed limits determined in a manner consistent with determinations of “low-income families” under Section 8 of the Housing Act, provided that the percentage of median gross income that qualifies as low income hereunder shall be sixty percent (60%) of median gross income for the Area, with adjustments for family size. If all the occupants of an Available Unit are students (as defined under Section 151(c)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, the unit shall not constitute a Low Income Unit. The determination of an Available Unit's status as a Low Income Unit shall be made by the Borrower upon commencement of each lease term with respect to such unit, and annually thereafter, on the basis of an Income Certification executed by each tenant.

“Project” means the 840-unit multifamily rental housing development (including up to ten (10) managers’ or maintenance personnel units) located in the City of San Leandro, County of Alameda, California on the real property site described in the Regulatory Agreement, consisting of those facilities, including real property, structures, buildings, fixtures or equipment situated thereon, as it may at any time exist, the acquisition, rehabilitation and development of which facilities is to be financed, in whole or in part, from the proceeds of the sale of the Bonds or the proceeds of any payment by the Borrower pursuant to the Financing Agreement, and any real property, structures, buildings, fixtures or equipment acquired in substitution for, as a renewal or replacement of, or a modification or improvement to, all or any part of the facilities described in the Financing Agreement.

“Project Status Report” means the report to be filed by the Borrower with the Administrator pursuant to the Regulatory Agreement, which shall be substantially in the form attached thereto or in such other comparable form as may be provided by the Issuer to the Borrower, or as otherwise approved by the Issuer.

“Qualified Project Period” means the period beginning on the date on which ten percent (10%) of the units in the Project are first occupied and ending on the later of the following:

(A) the date that is fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied;

(B) the first date on which no Tax-Exempt private activity bonds with respect to the Project are Outstanding;

(C) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates; or

(D) such later date as set forth in the provisions described under the caption “Requirement of the Issuer” below.

provided, that if at least 10% of the residential units in the Project are Available Units at all times within 60 days after the later of (1) the date the Project is acquired by the Borrower, or (2) the issue date of the Bonds, then the Qualified Project Period shall begin on the date one year after the issue date of the Bonds and end on the later of (i) the date that is fifteen (15) years after such date or (ii) the later of the dates specified in sub-paragraphs (A), (B), (C) and (D), above.

“Regulations” means the Income Tax Regulations of the Department of the Treasury applicable under the Code from time to time.

“Tax Certificate” means the Tax Certificate and Agreement, dated the Closing Date, executed and delivered by the Issuer and the Borrower, as it may be supplemented and amended from time to time.

“Transfer” means the conveyance, assignment, sale or other disposition and of all or any portion of the Project; and will also include, without limitation to the foregoing, the following: (1) an installment sales agreement wherein Borrower agrees to sell the Project or any part thereof for a price to be paid in installments; and (2) an agreement by the Borrower leasing all or a substantial part of the Project to one or more persons or entities pursuant to a single or related transactions.

Qualified Residential Rental Project

The Borrower acknowledges and agrees that the Project is to be owned, managed and operated as a “residential rental project” (within the meaning of Section 142(d) of the Code) for a term equal to the Qualified Project Period. To that end, and for the term of the Regulatory Agreement, the Borrower represents, covenants, warrants and agrees as follows:

(a) The Project will be acquired, rehabilitated, developed, and operated for the purpose of providing multifamily residential rental property. 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 Section 142(d) of the Code, Section 1.103-8(b) of the Regulations and the provisions of the Act and the Housing Law, and in accordance with such requirements as may be imposed thereby on the Project from time to time.

(b) All of the dwelling units in the Project (except for units set aside for resident managers or other administrative use) will be similarly constructed units, and each 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 (to the extent required by the Code, the Regulations or the Housing Law) and sink.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis or rented for a period of fewer than 30 consecutive days, 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; provided that the use of certain units for tenant guests on an intermittent basis shall not be considered transient use for purposes of the Regulatory Agreement.

(d) No part of the Project will at any time during the Qualified Project Period be owned by a cooperative housing corporation, nor will the Borrower take any steps in connection with a conversion to such ownership or use, and the Borrower will not take any steps in connection with a conversion of the Project to condominium ownership during the Qualified Project Period (except that the Borrower may obtain final map approval and the Final Subdivision Public Report from the California Department of Real Estate and may file a condominium plan with the City).

(e) All of the Available Units in the Project will be available for rental during the period beginning on the date of execution and delivery hereof and ending on the termination of the Qualified Project Period on a continuous, “first-come, first-served” basis to members of the general public, and the Borrower will not give preference to any particular class or group in renting the dwelling units in the

Project, except to the extent that dwelling units are required to be leased or rented in such a manner that they will constitute Low Income Units.

(f) The Project consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the facilities of the Project 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 dwelling unit in the Project will be occupied by the Borrower; provided, however, that if the Project contains five or more dwelling units, this provision will not be construed to prohibit occupancy of not more than ten dwelling units by a resident manager or maintenance personnel, any of whom may be the Borrower.

(h) The Borrower shall deliver to the Administrator and Very the Servicer, (i) within 30 days after the date on which 10% of the dwelling units in the Project are occupied, a written notice specifying such date, and (ii) within 30 days after the date on which 50% of the dwelling units in the Project are occupied, a written notice specifying such date.

Low Income Tenants; Reporting Requirements

Pursuant to the requirements of the Code, the Borrower represents, warrants and covenants as follows:

(a) During the Qualified Project Period, no less than 40% of the total number of completed units in the Project shall at all times be Low Income Units. For the purposes of this paragraph (a), a vacant unit that was most recently a Low Income Unit is treated as a Low Income Unit until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such unit shall be redetermined.

(b) No tenant qualifying as a Low Income Tenant upon initial occupancy shall be denied continued occupancy of a unit in the Project because, after admission, the aggregate Gross Income of all tenants in the unit occupied by such Low Income Tenant increases to exceed the qualifying limit for a Low Income Unit. However, should the aggregate Gross Income of tenants in a Low Income Unit, as of the most recent determination thereof, exceed one hundred forty percent (140%) of the applicable income limit for a Low Income Unit occupied by the same number of tenants, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) Low Income Tenant(s). The unit occupied by such tenants whose aggregate Gross Income exceeds such applicable income limit shall continue to be treated as a Low Income Unit for purposes of the 40% requirement of the Regulatory Agreement unless and until an Available Unit of comparable or smaller size is rented to persons other than Low Income Tenants.

(c) For the Qualified Project Period, the Borrower will obtain, complete and maintain on file Income Certifications for each Low Income Tenant, including (i) an Income Certification dated immediately prior to the initial occupancy of such Low Income Tenant in the unit, and (ii) thereafter, an annual Income Certification with respect to each Low Income Tenant. The Borrower will provide such additional information as may be required in the future by the Code, the State or the Issuer, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or thereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to Tax-Exempt obligations. Upon request of the Administrator or the Issuer, copies of Income

Certifications for Low Income Tenants commencing or continuing occupation of a Low Income Unit shall be attached to the Certificate of Continuing Program Compliance or the Project Status Report to be filed thereunder, or shall otherwise be submitted to the Administrator or the Issuer, as requested.

The Borrower shall make a good faith effort to verify that the income information provided by an applicant in an Income Certification is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain pay stubs for the three most recent pay periods, (2) obtain an income tax return for the most recent tax year, (3) obtain a credit report or conduct a similar type credit search, (4) obtain an income verification from the applicant's current employer, (5) obtain an income verification from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies, or (6) if the applicant is unemployed and does not have an income tax return, obtain another form of independent verification reasonably acceptable to the Issuer.

(d) The Borrower will maintain complete and accurate records pertaining to the Low Income Units, and will permit any duly authorized representative of the Issuer, the Administrator, the Servicer, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project, including those records pertaining to the occupancy of the Low Income Units.

(e) The Borrower will prepare and submit to the Administrator, no later than January 15 of each year until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance and a Project Status Report executed by the Borrower. During the Qualified Project Period, the Borrower shall submit a completed Internal Revenue Code Form 8703 or such other annual certification as required by the Code with respect to the Project, to the Secretary of the Treasury on or before March 31 of each year (or such other date as may be required by the Code).

(f) For the Qualified Project Period, all tenant leases or rental agreements shall be subordinate to the Regulatory Agreement and the Deed of Trust. All leases pertaining to Low Income Units shall contain clauses, among others, wherein each tenant who occupies a Low Income Unit: (i) certifies the accuracy of the statements made by such tenant in the Income Certification; (ii) agrees that the family income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy of such tenant, that such tenant will comply promptly with all requests for information with respect thereto from the Borrower, the Issuer or the Administrator on behalf of the Issuer, and that the failure to provide accurate information in the Income Certification or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the tenancy of such tenant; (iii) acknowledges that the Borrower has relied on the statements made by such tenant in the Income Certification and supporting information supplied by the Low Income Tenant in determining qualification for occupancy of the Low Income Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement; and (iv) agrees that the tenant's income is subject to annual certification in accordance with the Regulatory Agreement and that if upon any such certification the aggregate Gross Income of tenants in such unit exceeds the applicable income limit under the Regulatory Agreement, the unit occupied by such tenant may cease to qualify as a Low Income Unit and such unit's rent may be subject to increase.

For purposes of the provisions of the Regulatory Agreement described in this section, no unit occupied by a resident manager will be treated as a rental unit during the time of such occupation.

Requirements of the Housing Law

In addition to the other requirements set forth in the Regulatory Agreement, the Borrower agrees that it shall comply with each of the requirements of Section 52080 of the Housing Law, including the following:

(a) Not less than 40% of the total number of units in the Project shall be Low Income Units. The units made available to meet this requirement shall be of comparable quality and offer a range of sizes and numbers of bedrooms comparable to the units that are available to other tenants in the Project.

(b) The rental payments for the Low Income Units paid by the tenants thereof (excluding any supplemental rental assistance from the State, the federal government or any other public agency to those tenants or on behalf of those units) will not exceed 30% of an amount equal to 60% of the median adjusted gross income for the Area, as adjusted by the assumed household size set forth below of each such Low Income Unit; for the purpose of this section, the Owner shall assume the household size set forth in the following table for the corresponding size of residential unit:

Residential Unit Size by Bedroom	No. of Persons in Family
Studio	1
1	2
2	3
3	4

(c) The Borrower will accept as tenants, on the same basis as all other prospective tenants, low-income persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the Housing Act. The Borrower will not permit any selection criteria to be applied to Section 8 certificate or voucher holders that is more burdensome than the criteria applied to all other prospective tenants.

(d) The units reserved for occupancy as required by the Regulatory Agreement will remain available on a priority basis for occupancy at all times on and after the Closing Date and continuing through the Qualified Project Period.

(e) During the three (3) years prior to the expiration of the Qualified Project Period, the Borrower will continue to make available to eligible households Low Income Units that have been vacated to the same extent that nonreserved units are made available to noneligible households.

(f) 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, eminent domain, or action of a federal agency preventing enforcement, units reserved for occupancy as required by subsection (a) of this Section shall remain available to any eligible tenant occupying a reserved unit at the date of such expiration or termination, at the rent determined by subsection (b) of this Section, until the earliest of (1) the household's income exceeds 140% of the maximum eligible income specified above, (2) the household voluntarily moves or is evicted for good cause (as defined in the Housing Law), (3) 30 years after the date of the commencement of the Qualified Project Period, or (4) the Borrower pays the relocation assistance and benefits to households as provided in Section 7264(b) of the California Government Code.

(g) Except as set forth in the Regulatory Agreement, the covenants and conditions of the Regulatory Agreement will be binding upon successors in interest of the Borrower.

(h) The Regulatory Agreement will be recorded in the office of the County recorder, and will be recorded in the grantor-grantee index under the name of the Borrower as grantor and under the name of the Issuer as grantee.

(i) The units reserved for Low Income Tenants shall have substantially the same equipment and amenities and shall be substantially the same size as the other dwelling units in the Project and shall not be geographically segregated from such other units.

(j) For the term of the Regulatory Agreement, the Borrower will not discriminate on the basis of race, creed, color, sex, national origin or ancestry, religion, marital status, age, disability or receipt of public assistance or housing assistance in connection with the rental of units in the Project or in connection with the employment or application for employment of persons for operation and management of the Project, and all contracts, applications and leases entered into for such purposes shall contain a nondiscrimination clause to such effect.

Requirements of the Issuer

In addition to other requirements set forth in the Regulatory Agreement and to the extent not prohibited by the requirements set forth in the Regulatory Agreement, the Borrower agrees to comply with each of the requirements of the Issuer set forth in the provisions of the Regulatory Agreement described in this section, as follows:

(a) For the duration of the Qualified Project Period, notwithstanding any retirement of the Bonds or termination of the Financing Agreement, the Borrower will pay to the Issuer all of the amounts required to be paid by the Borrower under the Financing Agreement and the Regulatory Agreement and will indemnify the Issuer as provided in the Regulatory Agreement.

(b) All tenant lists, applications and waiting lists relating to the Project will at all times be kept separate and identifiable from any other business of the Borrower and will be maintained as required by the Issuer, in a reasonable condition for proper audit and subject to examination during business hours by representatives of the Issuer upon reasonable advance notice to the Borrower.

(c) The Borrower acknowledges that the Issuer has appointed the Administrator to administer the Regulatory Agreement and to monitor performance by the Borrower of the terms, provisions and requirements thereof. The Borrower will comply with any reasonable request made by the Administrator or the Issuer to deliver to any such Administrator, in addition to or instead of the Issuer, any reports, notices or other documents required to be delivered pursuant to the Regulatory Agreement, and to make the Project and the books and records with respect thereto available for inspection by the Administrator as an agent of the Issuer. The fees and expenses of the Administrator will be paid by the Issuer.

(d) For purposes of the Regulatory Agreement, the base rents will be adjusted for household size, to the extent permitted by law.

(e) The Borrower will comply with the conditions set forth in Exhibit A to the Regulatory Agreement to that certain CDLAC Resolution No. 11-89 relating to the Project adopted on July 20, 2011 (collectively, the "CDLAC Conditions"), as they may be modified or amended from time to time, which conditions are incorporated in the Regulatory Agreement by reference and made a part of the Regulatory

Agreement. These include the requirement that at least 10% of the 830 CDLAC rent restricted units in the Project be rented or held vacant for rental to persons or families whose income is at or below 50% of Area Median Income. The Borrower will prepare and submit to CDLAC, not later than each anniversary of the Closing Date, until the end of the Qualified Project Period, a certificate of continuing program compliance, in substantially the form attached to the CDLAC Conditions, executed by an authorized representative of the Borrower. The Issuer and the Administrator will have no obligation to monitor the Borrower's compliance with the CDLAC Conditions.

(f) Except as otherwise provided in the Regulatory Agreement, the Regulatory Agreement will terminate on the date 55 years after the Closing Date, as required by the CDLAC Conditions.

Any of the foregoing requirements of the Issuer contained in the Regulatory Agreement (except (e) and (f) above, which may only be waived with the consent of CDLAC) may be expressly waived by the Issuer, in its sole discretion, in writing, but (i) no waiver by the Issuer of any requirement of the Regulatory Agreement will, or will be deemed to, extend to or affect any other provision of the Regulatory Agreement except to the extent the Issuer has received an opinion of Bond Counsel that any such provision is not required by the Act and the Housing Law and may be waived without adversely affecting the exclusion from gross income of interest on the Bonds for federal income tax purposes; and (ii) any requirement of the Regulatory Agreement will be void and of no force and effect if the Issuer and the Borrower receive a written opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Bonds to cease to be Tax-Exempt or to the effect that compliance with such requirement would be in conflict with the Act, the Housing Law or any other state or federal law.

Term

The Regulatory Agreement and all and several of the terms thereof will become effective upon its execution and delivery, and will remain in full force and effect for the period provided therein and will terminate as to any provision not otherwise provided with a specific termination date and will terminate in its entirety at the end of the Qualified Project Period, it being expressly agreed and understood that the provisions of the Regulatory Agreement are intended to survive the retirement of the Bonds and discharge of the Indenture and the Financing Agreement.

The terms of the Regulatory Agreement to the contrary notwithstanding, the Regulatory Agreement will terminate and be of no further force and effect in the event of involuntary noncompliance with the provisions of the Regulatory Agreement caused by fire or other casualty, seizure, requisition, change in a federal law or an action of a federal agency after the Closing Date, which prevents the Issuer from enforcing such provisions, or foreclosure, transfer of title by deed in lieu of foreclosure, condemnation or a similar event, but only if, within a reasonable period, either the Bonds are retired or amounts received as a consequence of such event are used to provide a project that meets the requirements of the Regulatory Agreement; provided, however, that the preceding provisions of the Regulatory Agreement described in 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 (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income tax purposes. The Borrower agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Borrower nor any such related person as described above will obtain an ownership interest in the Project for federal tax purposes. Notwithstanding any other provision of the Regulatory Agreement, the Regulatory Agreement may be terminated upon agreement by the Issuer and the Borrower upon receipt by the Issuer of an opinion of Bond Counsel to the effect that such termination will not adversely affect the exclusion from gross income of interest on the

Bonds for federal income tax purposes. Upon the termination of the terms of the Regulatory Agreement, the parties thereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms of the Regulatory Agreement; provided, however, that the execution and delivery of such instruments will not be necessary or a prerequisite to the termination of the Regulatory Agreement in accordance with its terms.

Freddie Mac Rider

The Freddie Mac Rider to Regulatory Agreement (the “Rider”) attached to the Regulatory Agreement forms an integral part of the Regulatory Agreement and the terms thereof have been incorporated into the Regulatory Agreement.

Applicability. 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 Regulatory Agreement.

Sale or Transfer. Restrictions on sale or transfer of the Project or of any interest in the Borrower, and/or Issuer consents, transferee agreements, transferee criteria and requirements, opinion requirements, assumption fees, transfer fees, penalties and the like shall not apply to any transfer of title to the Project to Freddie Mac or to a third party by foreclosure, deed in lieu of foreclosure or comparable conversion of the Bond Mortgage Loan or to any subsequent transfer by Freddie Mac following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Bond Mortgage Loan. No transfer of the Project shall operate to release the Borrower from its obligations under the Regulatory Agreement; provided, however, that the Borrower shall be released from obligations under the Regulatory Agreement incurred after a transfer made in compliance with this section. Nothing contained in the Regulatory Agreement shall affect any provision of the Bond Mortgage or any of the other Bond Mortgage Loan Documents that 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, excluding transfers permitted by the Bond Mortgage. No covenant obligating the Borrower to obtain an agreement from any transferee to abide by all requirements and restrictions of the Regulatory Agreement shall have any applicability to a transfer to Freddie Mac upon foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Bond 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 Bond Mortgage Loan. Any written consent to a sale or transfer obtained from the Issuer must be deemed to constitute conclusive evidence that the sale or transfer is not a violation of the transfer provisions.

Notwithstanding anything contained in the Regulatory Agreement to the contrary, Additional Loans (as defined in the Intercreditor Agreement) shall not be subject to restrictions on transfers or encumbrances.

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

- (i) the occurrence of an event of default under the Regulatory Agreement shall not, under any circumstances whatsoever, be deemed or constitute a default under the Bond Mortgage Loan Documents, except as may be otherwise specified in the Bond Mortgage Loan Documents;
- (ii) the Issuer may not, upon the occurrence of an event of default under the Regulatory Agreement, seek, in any manner, to (a) cause or direct acceleration of the Bond Mortgage Loan, (b) enforce the Bond Mortgage Note, (c) foreclose on the Bond Mortgage, (d) cause the Trustee to redeem the Bonds or to declare the principal of the Bonds and the interest accrued on the Bonds to be

immediately due and payable or (e) cause the Trustee to take any other action under any of the Bond Mortgage Loan Documents or any other documents which action would or could have the effect of achieving any one or more of the actions, events or results described in the preceding clauses (a) through (d); and

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

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

The foregoing prohibitions and limitations are not intended to limit the rights of the Issuer to specifically enforce the Regulatory Agreement or to seek injunctive relief in order to provide for the operation of the Project in accordance with the requirements of the Internal Revenue Code and state law. Accordingly, upon any default by the Borrower, the Issuer may seek specific performance of the Regulatory Agreement or enjoin acts which may be in violation of the Regulatory Agreement or unlawful, but the Issuer may not seek any form of monetary recovery from the Borrower, although the Issuer may seek to enforce a claim for indemnification, provided that no obligation of the Borrower under the Regulatory Agreement, including, without limitation, any indemnification obligation, any other obligation for the payment of money, any claim and any judgment for monetary damages against the Borrower, occasioned by breach or alleged breach by the Borrower of its obligations under the Regulatory Agreement or otherwise, shall be secured by or in any manner constitute a lien on, or security interest in, the Project, whether in favor of the Issuer 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, the Issuer shall not 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 Regulatory Agreement shall be personal to the person who was the owner at the time that an event, including, without limitation, any default or breach of the Regulatory Agreement, occurred or was alleged to have occurred, and such person shall remain liable for any and all such obligations, including damages occasioned by a default or breach, even after such person ceases to be the owner of the 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 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 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:

(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.

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

Subordination. The terms, covenants and restrictions of the Regulatory Agreement, other than those described under the headings "Qualified Residential Rental Project," "Low Income Tenants," "Reporting Requirements" and "Requirements of the Housing Law" are and shall at all times remain subject and subordinate, in all respects, to the liens, rights and interests created under the Bond Mortgage Loan Documents.

Third-Party Beneficiary. The parties to the Regulatory Agreement have recognized and agreed that the terms of the Regulatory Agreement and the enforcement of those terms are essential to the security of Freddie Mac and are entered into for the benefit of various parties, including Freddie Mac. Freddie Mac shall accordingly have contractual rights in the Regulatory Agreement and shall be entitled (but not obligated) to enforce, separately or jointly with the Issuer, or to cause the Issuer to enforce, the terms of the Regulatory Agreement. In addition, Freddie Mac is intended to be and shall be a third-party beneficiary of the Regulatory Agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

The obligations of the Borrower to Freddie Mac under the Credit Enhancement Agreement will be evidenced by the Reimbursement Agreement. The following is a brief summary of certain provisions of the Reimbursement Agreement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Reimbursement Agreement, a copy of which is on file with the Trustee.

Defined Terms

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

General

Under the Reimbursement Agreement, the Borrower will be obligated to repay Freddie Mac all sums of money Freddie Mac has advanced to the Trustee for the Guaranteed Payments made on the Bond Mortgage Loan as well as any payments made for Purchased Bonds upon a failed remarketing. The Reimbursement Agreement also provides that the Borrower will pay the Freddie Mac Credit Facility Fee, the Freddie Mac Liquidity Facility Fee, the Servicing Fee and other fees and expenses as provided therein and will make scheduled monthly payments and deposits to fund certain collateral accounts and other reserves (which have been established solely for the benefit of Freddie Mac).

Events of Default

The occurrence of any one or more of the following will constitute an Event of Default under the Reimbursement Agreement:

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

(ii) the Borrower fails to perform its obligations under the Reimbursement Agreement relating to maintaining the tax-exempt status of the Bonds, maintaining its character as a single purpose entity, amending or modifying its organizational documents without Freddie Mac's consent, dissolving or liquidating in whole or in part, merging or consolidating with any Person, participating in a refunding of the Bonds within six months following its acquisition of the Project, permitting subordinate financings with respect to the Project, voluntarily prepaying the Bond Mortgage Loan, providing an Alternate Credit Facility, amending or causing any termination of a Hedge Agreement, in whole or in part, without the prior written consent of Freddie Mac or the Borrower fails to perform its obligations with respect to the maintenance of a satisfactory Hedge;

(iii) the Borrower fails to observe or perform any other term, covenant, condition or agreement set forth in the Reimbursement Agreement, which failure continues for a period of thirty (30) days after notice of such failure by Freddie Mac to the Borrower (unless such default cannot with due diligence be cured within thirty (30) days but can be cured within a reasonable period and will not, in Freddie Mac's sole discretion, adversely affect Freddie Mac or result in impairment of the Reimbursement Agreement, the Bond Mortgage, the Reimbursement Mortgage or any other Reimbursement Security Document, in which case no Event of Default will be deemed to exist so long as Borrower shall have commenced to cure the default or Event of

Default within thirty (30) days after receipt of notice, and thereafter diligently and continuously prosecutes such cure to completion); provided, however, no such notice or grace periods will apply in the case of any such failure which could, in Freddie Mac's judgment, absent immediate exercise by Freddie Mac of a right or remedy under the Reimbursement Agreement, result in harm to Freddie Mac, or impairment of the Reimbursement Agreement, the Bond Mortgage, the Reimbursement Mortgage or any other Reimbursement Security Document;

(iv) there occurs an "Event of Default" under the Reimbursement Mortgage or an event of default under any of the other Borrower Documents (taking into account any applicable cure period);

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

(vi) Freddie Mac gives the Borrower written notice that Purchased Bonds have not been remarketed as of the ninetieth (90th) day following purchase by the Trustee on behalf of the Borrower and the Borrower has not reimbursed Freddie Mac for the applicable Liquidity Advance or Liquidity Withdrawal and Liquidity Use Fee or has not paid in full all fees and other amounts due to Freddie Mac under the Reimbursement Agreement;

(vii) the Borrower fails to pay the amount required by the Reimbursement Agreement should the Borrower fail to obtain a full abatement for the Project of real estate taxes by the Required Completion Date (or such later date as the Credit Facility Provider may agree to) or, thereafter, should the Project lose all or a portion of such abatement or, in either instance, after paying such amount, the Borrower fails to provide redemption directions to the Trustee if so directed by Freddie Mac;

(viii) the Borrower fails to complete all repairs and other rehabilitation in the time and manner required under the Rehabilitation Escrow Agreement; or

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

Remedies

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

Event of Default under the Reimbursement Agreement, Freddie Mac may exercise the same rights, powers, and remedies with respect to the UCC Collateral that the Borrower may exercise, which rights, powers and remedies are incorporated therein by this reference for all purposes. In furtherance and not in limitation of the foregoing, Freddie Mac will have all rights, remedies and recourses with respect to the UCC Collateral granted in the Borrower Documents and any other instrument executed in connection therewith, or existing at common law or equity (including specifically those granted by the Uniform Commercial Code as adopted by the State and any other state in which the filing of a UCC financing statement is necessary to perfect Freddie Mac's security interest), the right of offset, the right to sell the UCC Collateral at public or private sale, and the right to receive distributions to the Borrower.

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

Reimbursement Mortgage

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

Amendments

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

SUMMARY OF CERTAIN PROVISIONS OF THE INTERCREDITOR AGREEMENT

The Issuer, the Trustee and Freddie Mac have agreed upon their respective rights arising from an Event of Default under any Bond Financing Document in the Intercreditor Agreement. The following is a brief summary of certain provisions of the Intercreditor Agreement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full text of 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 will agree, among other things, that, until either (a) Freddie Mac fails to honor a draw properly presented in accordance with the terms of the Credit Enhancement Agreement (a "Wrongful Dishonor") or (b) the Credit Enhancement Agreement terminates in accordance with its terms and all of the Borrower's obligations to Freddie Mac under the Reimbursement Agreement shall have been paid in full, certain of the rights and remedies of the Issuer, the Trustee and Freddie Mac under the Bond Financing Documents, including (without limitation) the rights and remedies of the Trustee, as beneficiary under the Bond Mortgage, may (except for the exercise of remedies to preserve the tax exempt status of the Bonds and the Trustee's right to seek payment of certain fees due under the Financing Agreement) be exercised only with the consent or at the direction of Freddie Mac, in its sole discretion, including (without limitation) the right to waive certain terms and conditions of the Bond Financing Documents pertaining to the Borrower.

Notwithstanding anything to the contrary contained in the Financing Agreement and pursuant to the Intercreditor Agreement, as long as Freddie Mac is not in default of its obligations under the Credit

Enhancement Agreement, neither the Issuer, the Trustee nor any other person, upon the occurrence of an event of default under any Bond Financing Document, may take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Bond Financing Documents, except at the direction of Freddie Mac; provided that such prohibition will not be construed to limit the rights of the Issuer to specifically enforce the Regulatory Agreement to provide for the operation of the Project in accordance with the Code and the Act or to limit the rights of the Issuer and the Trustee to enforce other reserved rights of the Issuer and the Trustee; and provided further that such prohibition will not be construed to limit the indemnification rights of the Issuer, the Trustee, the Servicer, Freddie Mac or any other indemnified party to enforce its rights against the Borrower under the Financing Agreement or the Reimbursement Agreement by mandamus or other suit, action or proceeding at law or in equity where such suit, action or proceeding does not seek any remedies under or with respect to the Bond Mortgage Loan.

CONTINUING DISCLOSURE

The Issuer has not made and will not make any provision to provide any annual financial statements or other credit information of the Borrower to investors on a periodic basis.

The Issuer has determined that no financial or operating data concerning the Issuer is material to an evaluation of the offering of the Bonds or to any decision to purchase, hold or sell the Bonds and the Issuer will not provide any such information. The Borrower has undertaken all responsibilities for any continuing disclosure to the Beneficial Owners and Holders of any of the Bonds as described below, and the Issuer shall have no liability to the Beneficial Owners or Holders of any of the Bonds or any other person with respect to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule").

The Borrower and the Trustee, as dissemination agent (the "Dissemination Agent") have entered into a Continuing Disclosure Agreement, dated as of October 1, 2011 (the "Continuing Disclosure Agreement"). The Continuing Disclosure Agreement obligates the Borrower to send, or cause to be sent, certain financial information with respect to the Project to the Municipal Securities Rulemaking Board and to provide notice, or cause notice to be provided, to the Municipal Securities Rulemaking Board upon the occurrence of certain enumerated events for the benefit of the Beneficial Owners and Holders of any of the Bonds. The form of the Continuing Disclosure Agreement is attached as Appendix D hereto. The Borrower has not entered into any other such undertaking with respect to the Rule.

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

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), Bond Counsel to the Issuer, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code, except that no opinion is expressed as to the status of interest on any Bond during any period such Bond is held by a person who is a "substantial user" of the facilities financed or refinanced by the Bonds or is a "related person" within the meaning of Section 147(a) of the Code. In the further opinion of

Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. The proposed form of Bond Counsel opinion is attached hereto as Appendix B.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Issuer and the Borrower have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. Accordingly, the opinion of Bonds Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel will render an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and that interest on the Bonds is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Beneficial Owner and the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislation, if enacted into law, or clarification of the Code, may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Issuer or the Borrower, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Issuer and the Borrower have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer, the Borrower or the Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Issuer, the Borrower and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Issuer or the Borrower legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited

to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Issuer, the Borrower or the Beneficial Owners to incur significant expense.

UNDERWRITING

The Bonds are being purchased by Citigroup Global Markets Inc. (the “Underwriter”) for a price of 100% of the principal amount thereof. Upon issuance of the Bonds, the Borrower will pay the Underwriter a fee in an amount equal to \$464,500. The Underwriter has committed to purchase all of the Bonds if any of such Bonds are purchased. The Bonds are being offered for sale to the public at the price set forth on the cover page of this Official Statement, which price may be changed by the Underwriter from time to time without notice. The Bonds may be offered and sold to dealers, including the Underwriter and dealers acquiring Bonds for their own account or an account managed by them, at prices lower than the public offering price.

MULTIPLE ROLES OF PARTIES

Citibank, N.A., an affiliate of the Underwriter, is serving as Servicer with respect to the Bond Mortgage Loan and is being separately compensated. See “THE SERVICER” above. Citibank, N.A., or an affiliate, will also acquire substantially all of the low income housing tax credit equity interest in the Borrower through an ownership interest in BF Lakeside Village, LLC. See “THE BORROWER AND THE PROJECT – Low Income Housing Tax Credits” above. Conflicts of interest could arise by reason of the different capacities in which Citigroup Global Markets Inc. and its affiliates act in connection with the Bonds and the Bond Mortgage Loan and as an indirect investor in the Borrower.

RATINGS

It is a condition precedent to issuance of the Bonds that Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (the “Rating Agency”) is expected to assign the ratings to the Bonds as shown on the cover page of this Official Statement. The ratings reflect only the view of the Rating Agency, and an explanation of the significance of such ratings may be obtained directly from the Rating Agency. There is no assurance that the current ratings will continue for any given period of time or that the current ratings will not be revised downward or withdrawn entirely if, in the judgment of the Rating Agency, circumstances so warrant. Any such downward revision or withdrawal of the rating on a series of Bonds may have an adverse effect on the market price of such Bonds. The Underwriter and the Issuer have undertaken no responsibility after issuance of the Bonds to assure the maintenance of the rating or to oppose any such revision, suspension or withdrawal.

RECENT ECONOMIC DEVELOPMENTS

Reacting to the prospect that the U.S. government might default on its obligations if the federal debt ceiling was not raised by the early August, 2011 deadline, the major rating agencies indicated that they were reviewing for a possible downgrade the sovereign credit ratings of the United States of America and U.S. government-related entities (which has impacted the ratings of Freddie Mac as described under the heading “RATINGS” above). See, for example, “United States of America ‘AAA/A-1+’ Ratings Placed On CreditWatch Negative On Rising Risk Of Policy Stalemate,” published July 15, 2011, on RatingsDirect on S&P’s Global Credit Portal. Despite a timely agreement to raise the federal debt ceiling, and based on the United States of America’s high ratio of net general government debt to gross domestic product and a political environment in which officials are unable to proactively put the finances of the United States of America on a stable path, Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”), has lowered the sovereign credit ratings of the United

States of America to “AA+/A-1+” with negative outlook. At the same time, S&P removed the sovereign credit ratings of the United States of America from CreditWatch. In addition, S&P has downgraded the ratings of Freddie Mac from “AAA/A-1+” to “AA+/A-1+,” which ratings have been assigned a negative outlook.

S&P may downgrade the sovereign credit ratings of the United States of America further and may also downgrade the credit ratings of other U.S. government-related entities, including Freddie Mac. Other major rating agencies may proceed to downgrade the sovereign credit ratings of the United States of America and U.S. government-related entities. It is difficult to predict or quantify the long-term ratings impact on the Bonds arising from these events.

The purchase of the Bonds involves a degree of risk. A prospective purchaser should review this entire Official Statement, including but not limited to the information under the heading “CERTAIN BONDHOLDERS’ RISKS,” and the appendices hereto, to identify risk factors and make an informed investment decision.

CERTAIN LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, as Bond Counsel to the Issuer, which will be furnished at the expense of the Borrower upon delivery of the Bonds. Certain legal matters will be passed upon for the Borrower by its counsel, Rutan & Tucker LLP, Costa Mesa, California, for Freddie Mac by its legal division and by its special counsel, Kantor Taylor Nelson Boyd & Evatt PC, Seattle, Washington and for the Underwriter by its counsel, Eichner & Norris PLLC, Washington, D.C. Payment of the fees of certain counsel to the transaction is contingent upon the execution and delivery of the Bonds as described herein.

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

NO LITIGATION

The Issuer

At the time of issuance of the Bonds, the Issuer delivered certificates to the effect that, to the best knowledge of the Issuer, there is no action, suit or proceeding pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Bonds, the Indenture, the Financing Agreement or the Regulatory Agreement, or in any way contesting or affecting the validity of the foregoing.

The Borrower

In connection with the issuance of the Bonds, the Borrower is delivering a certificate to the effect that there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body for which service of process has been effected on the Borrower or, to the knowledge of the Borrower, threatened against or affecting the Borrower, or to its knowledge, any basis therefor, wherein an unfavorable decision, ruling or finding would have a material adverse affect the Property or property operations, or on the transactions contemplated by this Official Statement, the exclusion of

interest on the Bonds from the gross income, for federal income tax purposes, of the Holders of the Bonds or the validity or enforceability of the Bonds, the Indenture, the Financing Agreement, the Bond Mortgage Note or any other agreement or instrument to which the Borrower is a party and which is used or contemplated for use in the transactions contemplated by this Official Statement.

ENFORCEABILITY OF REMEDIES

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

MISCELLANEOUS

Brief descriptions of the Issuer, the sources of payment for the Bonds, the Bonds, the Project, the Borrower, the Servicer and Freddie Mac and a general summary of the Indenture, the Financing Agreement, the Regulatory Agreement, the Credit Enhancement Agreement, the Intercreditor Agreement and the Reimbursement Agreement are included in this Official Statement. All references herein to the Indenture, the Financing Agreement, the Regulatory Agreement, the Credit Enhancement Agreement, the Intercreditor Agreement, the Reimbursement Agreement and all other documents and agreements are qualified in their entirety by reference to such documents and agreements, and all references to the Bonds are qualified by reference to the form thereof included in the Indenture, copies of which are available for inspection at the principal corporate trust office of the Trustee.

Any statements in this Official Statement involving matters of opinion or forecast, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Issuer, the Borrower, Freddie Mac or the Underwriter and the purchasers or owners of the Bonds.

[Issuer's Signature Page to the Official Statement]

**ABAG FINANCE AUTHORITY FOR NONPROFIT
CORPORATIONS**

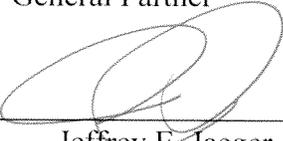
By: 
Authorized Officer

[Borrower's Signature Page to the Official Statement]

STANDARD LAKESIDE I LP,
a California limited partnership

By: Standard Lakeside GP LLC,
a California limited liability company

Its: Co-General Partner

By  _____
Jeffrey E. Jaeger, Authorized Officer

By: Pacific Southwest Community Development
Corporation, a California nonprofit public benefit
corporation

Its: Managing General Partner

By  _____
Robert W. Laing, President

APPENDIX A

DEFINITIONS OF CERTAIN TERMS

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

“*Act*” means Chapter 5 of Division 7 of Title 1 of the California Government Code together with the provisions of Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code as now in effect and as it may from time to time hereafter be amended and supplemented.

“*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 thereof within a maturity.

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

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

“*Bond Counsel*” means (a) on the Delivery Date, the law firm or law firms delivering the approving opinion(s) with respect to the Bonds, or (b) 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 Credit Facility Provider.

"Bond Fee Component" means the regular, ongoing fees due from time to time to the Issuer, the Trustee, the Dissemination Agent, 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 Regulatory Agreement, the Remarketing Agreement, the Tax Certificate, the Continuing Disclosure Agreement 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.

"Bond Mortgage" means the First Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of the date of the Indenture, together with all riders and addenda thereto, granting a first priority mortgage and security interest in the Project to the Trustee, upon order of the Issuer, 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 \$91,000,000 pursuant to the Financing Agreement.

"Bond Mortgage Loan Documents" means the Bond Mortgage, the Bond Mortgage Note, the Financing Agreement, the Regulatory Agreement, any Custodial Escrow Agreement, the Credit Facility, the Reimbursement Agreement, the Rehabilitation Escrow 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, together with all riders and addenda thereto, from the Borrower, 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 has been or will be delivered to the Issuer and endorsed by the Issuer to the Trustee.

"Bond Purchase Agreement" means the Bond Purchase Agreement related to the Bonds, among the Issuer, the Borrower and the Underwriter.

"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 Borrower as indicated in the Tax Certificate. The first and last Bond Years may be short periods. If no day is selected by 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.

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

“*Bonds*” means the ABAG Finance Authority For Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Lakeside Village Apartments) 2011 Series A issued pursuant to the Indenture.

“*Borrower*” means Standard Lakeside I LP, a limited partnership, duly organized and existing under the laws of the State of California, or any of its permitted successors or assigns, as owner of the Project.

“*Borrower Equity Account*” means the Borrower Equity Account of the Bond Mortgage Loan Fund established by the Trustee pursuant to the Indenture.

“*Borrower Equity Deposit*” means the amount set forth in the Indenture, deposited by the Borrower with the Trustee on the Delivery Date and comprised of sources other than the proceeds of the Bonds.

“*Business Day*” means any day other than (a) (i) a Saturday, (ii) a Sunday, (iii) a day on which the Federal Reserve Bank of New York (or other agent acting as the Credit Facility Provider’s fiscal agent identified to the Trustee) is authorized or obligated by law or executive order to remain closed, (iv) a day on which the Principal Office of the Credit Facility Provider is closed, or (b) 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 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.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement dated as of the Indenture, between the Dissemination Agent and the Borrower and the Dissemination Agent, for the benefit of the owners of the Bonds to provide disclosure in a manner consistent with the requirements of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as such Continuing Disclosure Agreement may from time to time be amended or supplemented.

“Cost,” “Costs” or “Costs of the Project” means costs paid with respect to the Project that (a) are properly chargeable to capital account (or would be so chargeable with a proper election by the Borrower or but for a proper election by the Borrower to deduct such costs) in accordance with general federal income tax principles and in accordance with United States Treasury Regulations Section 1.103-8(a)(1), (b) are paid with respect to a qualified residential rental project or projects within the meaning of Section 142(d) of the Code, (c) are paid after the earlier of 60 days prior to the date of a resolution of the Issuer to reimburse costs of the Project with proceeds of Bonds or the date of issue of the Bonds, and (d) if the Costs of the Project were previously paid and are to be reimbursed with proceeds of the Bonds such costs were (i) costs of issuance of the Bonds, (ii) preliminary capital expenditures (within the meaning of United States Treasury Regulations Section 1.150-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of acquisition or rehabilitation of the Project that do not exceed twenty percent (20%) of the issue price of the Bonds (as defined in United States Treasury Regulations Section 1.148-1), or (iii) were capital expenditures with respect to the Project that are reimbursed no later than eighteen (18) months after the later of the date the expenditure was paid or the date the Project is placed in service (but no later than three (3) years after the expenditure is paid); provided however, that if any portion of the Project is being constructed or developed by the Borrower or an Affiliate (whether as a developer, a general contractor or a subcontractor), *“Cost,” “Costs” or “Costs of the Project”* shall include only (1) the actual out-of-pocket costs incurred by the Borrower or such Affiliate in developing or constructing the Project (or any portion thereof), (2) any reasonable fees for supervisory services actually rendered by the Borrower or such Affiliate (but excluding any profit component) and (3) any overhead expenses incurred by the Borrower or such Affiliate which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the acquisition, rehabilitation or development of the Project or payments received by such Affiliate due to early completion of the Project (or any portion thereof).

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

“Costs of Issuance” means (a) the fees (excluding ongoing fees), costs and expenses of (i) the Issuer, the Issuer’s counsel and the Issuer’s financial advisor, (ii) the Underwriter (including discounts to the Underwriter or other purchasers of the Bonds, other than original issue discount, incurred in the issuance and sale of the Bonds) and the Underwriter’s counsel, (iii) Bond Counsel, (iv) the Trustee and the Trustee’s counsel, (v) the Servicer and the Servicer’s counsel, if any, (vi) the Credit Facility Provider and the Credit Facility Provider’s counsel, (vii) the Borrower’s counsel attributable to the issuance of the Bonds and the Borrower’s financial advisor, if any, and (viii) the Rating Agency, (b) costs of printing the offering documents relating to the sale of the Bonds and (c) all other fees, costs and expenses directly associated with the authorization, issuance, sale and delivery of the Bonds, including, without limitation, printing costs, costs of reproducing documents, filing and recording fees.

“Costs of Issuance Deposit” means the deposit to be made by the Borrower with the Trustee on the Delivery Date, which deposit shall equal the amount set forth in the Indenture comprised of sources other than the proceeds of the Bonds.

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

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

“*Credit Facility Account*” means the Credit Facility Account of the Revenue Fund established by the Trustee pursuant to the Indenture.

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

“*Custodial Escrow Account*” means, collectively, the account or accounts established and held by the Servicer, in accordance with the Guide or otherwise, for the purpose of funding (a) escrows for taxes, insurance and related payments and costs, if required by 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 and securities intermediary under the Pledge Agreement, and any successor in such capacity.

“*Delivery Date*” means October 28, 2011, the date of initial delivery of the Bonds to the initial purchasers thereof against payment therefor.

“*Dissemination Agent*” means initially Wells Fargo Bank, National Association, in its capacity as dissemination agent under the Continuing Disclosure Agreement, or any dissemination agent subsequently appointed in accordance with the Continuing Disclosure Agreement.

“*Dissemination Agent’s Fee*” means the annual fee for the Dissemination Agent’s fees and expenses in rendering its services under the Continuing Disclosure Agreement during each twelve month period, which fee is equal to (and shall not exceed) \$500.00 and shall be payable annually in advance on the Delivery Date and each October 1 thereafter.

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

“*Electronic Notice*” means delivery of notice in a Word format or a Portable Document Format (PDF) by electronic mail to the electronic mail addresses listed in the Indenture; provided, that if a sender receives notice that the electronic mail is undeliverable, notice must be sent as otherwise required by the Indenture.

“*Eligible Funds*” means (a) remarketing proceeds received from the Remarketing Agent or any purchaser (other than funds provided by the Borrower, any general partner, member or guarantor of the Borrower or the Issuer), (b) proceeds received pursuant to the Credit Facility, (c) proceeds of the Bonds received contemporaneously with the issuance and sale of the Bonds (including any Bond proceeds

deposited to the Project Account of the Bond Mortgage Loan Fund on the Delivery Date), (d) proceeds from the investment or reinvestment of money described in clauses (a), (b) and (c) above, or (e) money delivered to the Trustee and accompanied by a written opinion of nationally recognized counsel experienced in bankruptcy matters to the effect that if the Borrower, any general partner, member or guarantor of the Borrower, or the Issuer were to become a debtor in a proceeding under the Bankruptcy Code (i) payment of such money to holders of the Bonds would not constitute a voidable preference under Section 547 of the Bankruptcy Code and (ii) the automatic stay provisions of Section 362(a) of the Bankruptcy Code would not prevent application of such 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 under the terms of the Financing Agreement, and other actions taken and carried out by the Trustee which are not expressly set forth in the Indenture 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 the date of the Indenture 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 Reimbursement Agreement.

“*Freddie Mac Reimbursement Amount*” shall have the meaning given to that term in the Reimbursement Agreement.

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

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

“*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 Freddie Mac Multifamily Seller/Service Guide (as applicable), as the same may be amended, modified or supplemented from time to time.

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

“*Hedge Fee Escrow*” has the meaning given to that term in the Reimbursement Agreement.

“*Indenture*” means the Trust Indenture, as the same may have been from time to time amended or modified, together with any other indentures supplemental hereto.

“*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 Service*” means in accordance with then current guidelines of the Securities and Exchange Commission, the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor entity or entities designated by the Securities and Exchange Commission.

“*Intercreditor Agreement*” means the Intercreditor Agreement dated as of the date of the Indenture among the Issuer, the Trustee and Freddie Mac, as the same may be amended or supplemented.

“Interest Payment Date” means December 1, 2011, and thereafter (i) for interest accrued during any Variable Period, the first Business Day of each month, (ii) for interest accrued during any Reset Period, April 1 and October 1 of each year, commencing on the April 1 or October 1 next following the applicable Reset Adjustment Date, (iii) for interest accrued on and after the Fixed Rate Adjustment Date, April 1 and October 1 of each year, commencing on the April 1 or October 1 next following the Fixed Rate Adjustment Date, (iv) each Reset Adjustment Date, Variable Rate Adjustment Date, Fixed Rate Adjustment Date, Substitution Date and the maturity date of the Bonds, (v) for Bonds subject to redemption but only with respect to such Bonds, the date of redemption (or purchase in lieu of redemption), and (vi) the Maturity Date.

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

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

“Issuer” means ABAG Finance Authority For Nonprofit Corporations, a joint exercise of powers agency organized and existing under the laws of the State of California.

“Issuer Fee” means (i) the Issuer’s initial bond administration fee payable in accordance with the Issuer’s current fee schedule, (ii) the Issuer’s annual Project Monitor Fee in the amount equal to \$4,000 and (iii) the Issuer’s annual Bond Administration Fee in the amount equal to .02% of the principal amount of the Bonds originally issued and delivered as set forth in and in accordance with and pursuant to the provisions of the Financing Agreement and Section 20 of the Regulatory Agreement.

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

“Maturity Date” means the maturity date of the Bonds set forth on the cover hereof.

“Maximum Rate” means 12% per annum; provided that, without amendment to any Bond Financing Document pursuant to 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 incomes of the Bondholders for federal income tax purposes and (b) either (i) the written consent of the Credit Facility Provider to the specified higher Maximum Rate and evidence that the Credit Facility will cover the Interest Requirement at such higher Maximum Rate, or (ii) a new or amended Credit Facility in an amount equal to the sum of (A) the principal amount of the Outstanding Bonds and (B) the new Interest Requirement calculated using the new Maximum Rate; provided that the Maximum Rate shall never exceed the maximum rate permitted by applicable law to be paid on the Bonds or to be charged on the Bond Mortgage Loan.

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

“Official Statement” means this Official Statement, relating to the sale and issuance of the Bonds, as the same may be supplemented or amended.

“Optional Tender Date” has the meaning set forth under the heading “THE BONDS—Demand for and Mandatory Purchase of the Bonds” herein.

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

“Ordinary Trustee’s Fees and Expenses” means the annual administration fee for the Trustee’s ordinary fees and expenses in rendering its services under the Indenture during each twelve month period, which fee is equal to (and shall not exceed) \$3,400 and shall be payable annually in advance on the Delivery Date and each October 1 thereafter commencing October 1, 2012.

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

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

(b) Bonds for the payment, redemption or purchase for cancellation of which sufficient money has been deposited prior to such date with the Trustee (whether upon or prior to the maturity, amortization or redemption date of any such Bonds), or which are deemed to have been paid and discharged pursuant to the provisions of the Indenture; provided that if such Bonds are to be redeemed prior to the maturity thereof, other than by scheduled amortization, notice of such redemption 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) under 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 of the Indenture (Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee shall establish, to the satisfaction of the Trustee, the pledgee’s right to vote such Bonds, and in the event of a dispute as to the existence of such right, any decision by the Trustee taken upon the advice of counsel shall constitute full protection to the Trustee). The term “control” (including the terms “controlling”, “controlled by” and “under common control

with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise. Beneficial ownership of five percent (5%) or more of a class of securities having general voting power to elect a majority of the board of directors of a corporation shall be conclusive evidence of control of such corporation.

“*Paying Agent*” means the Trustee acting as such, or any other paying agent appointed pursuant to the Indenture.

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

“*Pledge Agreement*” means that certain Pledge, Security and Custody Agreement, dated as of the date of the Indenture, 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 Office of the Credit Facility Provider*” means (i) so long as Freddie Mac is the Credit Facility Provider, the office of Freddie Mac located at 8100 Jones Branch Drive, McLean, Virginia 22102 or such other office or offices as Freddie Mac may designate in writing from time to time, or (ii) the office of any Alternate Credit Facility Provider where it principally conducts its business of serving as credit facility provider under indentures pursuant to which municipal or governmental obligations are issued, or such other office or offices as the Alternate Credit Facility Provider may designate from time to time.

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

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

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

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

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

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

“Project” means, collectively, the land and residential rental apartment units, and related fixtures, equipment, furnishings and site improvements known as Lakeside Village Apartments located at 4170 Springlake Drive in the City of San Leandro, California, including the real estate described in the Bond Mortgage.

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

“Purchase Price” with respect to any Bond required to be purchased pursuant to the Indenture as described under the headings “THE BONDS—Demand for and Mandatory Purchase of the Bonds” and “THE BONDS—Mandatory Tender of Bonds on Substitution Date” herein, 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 as described under the heading “THE BONDS—Purchase of Bonds in Whole in Lieu of Redemption” herein 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.

“Purchased Bonds Account” means the Purchased Bonds Account of the Bond Fund established by the Trustee pursuant to the Indenture.

“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 of America the payment of the principal of and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America; (c) senior debt obligations of Freddie Mac; (d) senior debt obligations of Fannie Mae; (e) demand deposits or time deposits with, or certificates of deposit issued by, the Trustee or its affiliates or any bank organized under the laws of the United States of America or any state or the District of Columbia which has combined capital, surplus and undivided profits of not less than \$50,000,000; provided that the Trustee or such other institution has been rated at least “VMIG 1” or “A 1+” by Moody’s or 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 Moody’s or 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 Moody’s or S&P, and which are approved by the Credit Facility Provider; (g) shares or units in any money market mutual fund rated “Aaa” or “AAA” by Moody’s or S&P (or if a new rating scale is implemented, the equivalent rating category given by the Rating Agency for that general category of security) (including mutual funds of the Trustee or its affiliates or for which the Trustee or an affiliate thereof serves as investment advisor or provides other services to such mutual fund receives reasonable compensation therefor) registered under the Investment Company Act of 1940, as amended, whose investment portfolio consists solely of (A) direct obligations of the government of the United States of America, or (B) tax exempt obligations; (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” or “AAA” by Moody’s or S&P (or if a new rating scale is implemented, the equivalent rating category given by the Rating Agency for that general category of security), for which at least 95% of the income paid to the holders on interest in such money market fund will be excludable from gross income under Section 103 of the Code, including 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 “VMIG 1” or “A 1+” for obligations with less than one year maturity; at least “Aaa”/“VMIG 1” or “AAA”/“A 1+” for obligations with a maturity of one year or greater but less than three years; and at least “Aaa” or “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, with the prior written consent of the Issuer, to make the computations required under 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.

“*Regulatory Agreement*” means the Regulatory Agreement and Declaration of Restrictive Covenants dated as of the date of the Indenture between the Issuer and the Borrower.

“*Rehabilitation Escrow Agreement*” means the Rehabilitation Escrow Agreement dated as of the date of the Indenture by and between the Borrower and Freddie Mac, as the same shall be amended, modified or supplemented from time to time.

“*Reimbursement Agreement*” means the Reimbursement and Security Agreement dated as of the date of the Indenture 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 Second Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of the date of the Indenture 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 Agent*” means the remarketing agent appointed pursuant to the Indenture or any successors or assigns thereof permitted under the Indenture.

“*Remarketing Agent Fee*” means the annual fee payable to the Remarketing Agent equal to .10% per annum of the aggregate principal amount of the Bonds Outstanding, payable quarterly in arrears on each January 1, April 1, July 1 and October 1, commencing January 1, 2012.

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

“*Required Completion Date*” has the meaning given to that term in the Rehabilitation Escrow Agreement.

“*Requisition*” means, with respect to the Bond Mortgage Loan Fund, the requisition in the form of an exhibit to the Indenture required to be submitted in connection with disbursements from the Project Account and/or the Borrower Equity Account of the Bond Mortgage Loan Fund, and with respect to the Cost of Issuance Fund, the requisition in the form of an exhibit 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 (a) all payments made with respect to the Bond Mortgage Loan pursuant to the Financing Agreement, the Bond Mortgage Note or the Bond Mortgage, including all casualty or other insurance benefits and condemnation awards paid in connection therewith (subject in all events to the interests of the Credit Facility Provider therein under the terms of the Credit Facility and the Reimbursement Security Documents), (b) payments made by the Credit Facility Provider pursuant to the

Credit Facility and (c) all money and securities held by the Trustee in the funds and accounts established pursuant to the Indenture (excluding money or securities designated for deposit into and held in the Cost of Issuance Fund, the Administration Fund, the Bond Purchase Fund, the Principal Reserve Fund, the Borrower Equity Account and the Rebate Fund), together with all investment earnings thereon. Principal Reserve Schedule Payments shall not constitute Revenues under the Indenture.

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

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

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

“*S&P*” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, 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 Tax Certificate and Agreement executed by the Issuer and the Borrower on the Delivery Date.

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

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

“*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 granting clauses of 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.

APPENDIX B

FORM OF BOND COUNSEL OPINION

October 28, 2011

ABAG Finance Authority
for Nonprofit Corporations
Oakland, California

ABAG Finance Authority for Nonprofit Corporations
Variable Rate Demand Multifamily Housing Revenue Bonds
(Lakeside Village Apartments) 2011 Series A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the ABAG Finance Authority for Nonprofit Corporations (the "Issuer") in connection with the issuance of its \$91,000,000 aggregate principal amount of Variable Rate Demand Multifamily Housing Revenue Bonds (Lakeside Village Apartments) 2011 Series A (the "Bonds"). The Bonds are issued pursuant to Chapter 5 of Division 7 of Title 1 of the California Government Code, together with the provisions of Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code, as amended (collectively, the "Act"), and a Trust Indenture, dated as of October 1, 2011 (the "Indenture"), between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Indenture provides that the Bonds are issued for the purpose of making a loan of the proceeds thereof to Standard Lakeside I LP, a California limited partnership (the "Borrower") pursuant to a Financing Agreement, dated as of October 1, 2011 (the "Financing Agreement"), among the Issuer, the Borrower and the Trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Financing Agreement, the Regulatory Agreement, the Tax Certificate, certificates of the Issuer, the Borrower, the Trustee and others, opinions of counsel to the Borrower, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with

respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Financing Agreement, the Regulatory Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Financing Agreement, the Regulatory Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint exercise of powers authorities in the State of California (the "State"). We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Indenture or the Financing Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Issuer is a joint exercise of powers agency, duly organized and validly existing under the laws of the State, and has lawful authority to issue the Bonds.
2. The Bonds constitute the valid and binding limited obligations of the Issuer, payable solely from the Trust Estate.
3. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Trust Estate, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
4. The Bonds do not constitute a debt or liability of the Issuer, the State or any political subdivision thereof, or a pledge of the faith and credit of the State or any such political subdivision, other than the Issuer to the extent provided in the Indenture.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”), except that no opinion is expressed as to the exclusion from gross income of interest on any Bond for any period during which such Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities with respect to which the proceeds of the Bonds were used or is a “related person.” Interest on the Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Bonds is exempt from State personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX C

FORM OF CREDIT ENHANCEMENT AGREEMENT

Freddie Mac Loan No. 534400973

CREDIT ENHANCEMENT AGREEMENT

between

FEDERAL HOME LOAN MORTGAGE CORPORATION

and

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

**Relating to a
Bond Mortgage Loan
Securing**

\$91,000,000

**ABAG Finance Authority For Nonprofit Corporations
Variable Rate Demand Multifamily Housing Revenue Bonds
(Lakeside Village Apartments) 2011 Series A**

Dated as of October 1, 2011

CREDIT ENHANCEMENT AGREEMENT

THIS CREDIT ENHANCEMENT AGREEMENT (this “**Agreement**”) is made and entered into as of October 1, 2011, by and between the **FEDERAL HOME LOAN MORTGAGE CORPORATION** (“**Freddie Mac**”), a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States, and **WELLS FARGO BANK, NATIONAL ASSOCIATION** (the “**Trustee**”), a national banking association, duly organized and existing under the laws of the United States, in its capacity as Trustee under a Trust Indenture dated as of the date hereof (the “**Indenture**”), between ABAG Finance Authority For Nonprofit Corporations (the “**Issuer**”) and the Trustee.

W I T N E S S E T H:

WHEREAS, pursuant to the Indenture, the Issuer has issued its Variable Rate Demand Multifamily Housing Revenue Bonds (Lakeside Village Apartments) 2011 Series A (the “**Bonds**”) in the original principal amount of \$91,000,000; and

WHEREAS, pursuant to a Financing Agreement dated as of the date hereof (the “**Financing Agreement**”) among the Issuer, the Trustee and Standard Lakeside I LP, a limited partnership duly organized and existing under the laws of the State of California (the “**Borrower**”), the Issuer has used the proceeds of the sale of Bonds to make a mortgage loan (the “**Bond Mortgage Loan**”) to the Borrower to finance the Project described therein; and

WHEREAS, the Borrower has agreed to use the proceeds of the Bond Mortgage Loan to provide for the acquisition and rehabilitation of the Project; and

WHEREAS, the Borrower’s repayment obligations in respect of the Bond Mortgage Loan are evidenced by a promissory note dated October 28, 2011 (together with all riders and addenda thereto, the “**Bond Mortgage Note**”) delivered to the Issuer and assigned by the Issuer to the Trustee; and

WHEREAS, to secure the Borrower’s obligations under the Bond Mortgage Note, the Borrower has executed and delivered for the benefit of the Trustee, upon the order of the Issuer, a First Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of the date hereof (the “**Bond Mortgage**”) with respect to the Project; and

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

WHEREAS, to evidence the Borrower’s reimbursement obligations to Freddie Mac for draws made hereunder, the Borrower and Freddie Mac are entering into a Reimbursement and

Security Agreement contemporaneously with the execution and delivery hereof (the “**Reimbursement Agreement**”); and

WHEREAS, to secure the Borrower’s reimbursement obligations to Freddie Mac under the Reimbursement Agreement, the Borrower is executing and delivering for the benefit of Freddie Mac a Second Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing contemporaneously with the execution and delivery hereof (the “**Reimbursement Mortgage**”) with respect to the Project; and

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

WHEREAS, Citibank, N.A. (the “**Servicer**”) will act as initial servicer for the Bond Mortgage Loan;

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

ARTICLE I

DEFINITIONS AND INTERPRETATION

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

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

“*Available Amount*” means, at any time, an amount equal to the aggregate principal amount of Bonds Outstanding (initially, \$91,000,000) plus an amount equal to the accrued interest on the Bonds Outstanding for up to 35 days at the Maximum Interest Rate (up to 40 days at the Maximum Interest Rate with respect to the first Required Bond Mortgage Payment) during the Variable Period, and up to 189 days at the Reset Rate or the Fixed Rate during any Reset Period or Fixed Rate Period, as the case may be, computed, during the period when the Bonds bear interest at the Variable Rate, on the basis of the actual days elapsed and a 365- or 366-day year, and computed, during the period when the Bonds bear interest at a Reset Rate or Fixed Rate, on the basis of a 360-day year of twelve (12) thirty (30) day months, in each instance as reduced by that amount, if any, previously provided by Freddie Mac to the Trustee for payment of the Guaranteed Payment or to enable the Trustee to purchase Purchased Bonds, such reduction to be in an amount equal to (i) in the case of payment of a Guaranteed Payment, 100% of the

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

“*Bonds*” means the Issuer’s Variable Rate Demand Multifamily Housing Revenue Bonds (Lakeside Village Apartments) 2011 Series A issued in the original principal amount of \$91,000,000.

“*Bond Mortgage*” means the First Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of the date hereof, together with all riders and addenda thereto, from the Borrower to the Trustee, upon the order of the Issuer, securing payment of the Bond Mortgage Loan, as the same may be amended, modified or supplemented from time to time.

“*Bond Mortgage Loan*” means the loan in the original amount of \$91,000,000 by the Issuer to the Borrower pursuant to the Financing Agreement, as evidenced by the Bond Mortgage Note and secured by the Bond Mortgage.

“*Bond Mortgage Note*” means the Bond Mortgage Note dated October 28, 2011, together with all riders and addenda thereto, delivered by the Borrower to the Issuer in the original principal amount of \$91,000,000, evidencing the Borrower’s obligation to repay the Bond Mortgage Loan, as the same may be amended, modified or supplemented from time to time, which promissory note has been assigned by the Issuer to the Trustee pursuant to the Indenture.

“*Bond Mortgage Payment Date*” means (i) each Interest Payment Date (as defined in the Indenture) while the Bond Mortgage Loan is outstanding, commencing December 1, 2011 and (ii) any other date on which principal of the Bond Mortgage Note is paid.

“*Borrower*” means Standard Lakeside I LP, a limited partnership duly organized and existing under the laws of the State, and any permitted successor to or assignee of its rights and obligations under the Bond Financing Documents.

“*Business Day*” means any day other than (i)(a) a Saturday, (b) a Sunday, (c) 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, (d) a day on which the permanent home office of Freddie Mac is closed, or (ii) a day on which (1) 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 (2) 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 securities intermediary, 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, collectively, the Freddie Mac Delegated Underwriting for Targeted Affordable Housing Guide and Freddie Mac Multifamily Seller/Service Guide (as applicable), as the same may be amended, modified or supplemented from time to time.

“*Indenture*” means the Trust Indenture dated as of the date hereof 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 ABAG Finance Authority For Nonprofit Corporations, a joint exercise of powers agency organized and existing under the laws of the State, and its successors.

“*Liquidity Commitment*” means the obligation of Freddie Mac to provide funds to the Trustee, as provided in Section 3.1(b) of this Agreement, to enable the Trustee to purchase, on behalf of the Borrower, tendered Bonds which have not been remarketed by the Remarketing

Agent pursuant to the Remarketing Agreement and the Indenture and, therefore, with respect to which there are no proceeds of remarketing.

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

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

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

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

“*Pledge Agreement*” means the Pledge, Security and Custody Agreement dated as of the date hereof, among the Borrower, Freddie Mac and the Custodian, as the same may be amended, supplemented or restated from time to time.

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

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

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

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

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

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

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

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

“*State*” means the State of 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 redeemed or purchased in lieu of redemption in accordance with the provisions of Section 3.2 of this Agreement, (c) **October 6, 2041**, (d) the date on which the Trustee, after having received sufficient funds to redeem all of the Bonds Outstanding in accordance with the terms of the Indenture, shall have released the lien

of the Indenture and shall have paid to Freddie Mac all amounts required to be paid under the Indenture, the Financing Agreement, the Reimbursement Agreement, this Agreement and any other Bond Financing Document, and (e) the day immediately following the effective date of any Alternate Credit Facility.

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

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

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

ARTICLE II

REPRESENTATIONS

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

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

(b) This Agreement is a valid and binding obligation of Freddie Mac, the making and performance of which by Freddie Mac have been duly authorized by all necessary corporate and other action and neither the consummation of the transactions contemplated hereby nor the fulfillment of or compliance with the terms and conditions of this Agreement by Freddie Mac conflicts with, results in a breach of, or is a default under, in any material respect, any of the

terms, conditions or provisions of any legal restriction or any instrument to which Freddie Mac is now a party or by which Freddie Mac is bound, or constitutes a violation of any law regulating the affairs of Freddie Mac or internal governing documents of Freddie Mac, and will not result in the creation of any prohibited encumbrance upon any of its assets.

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

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

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

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

ARTICLE III

CREDIT ENHANCEMENT AND LIQUIDITY

Section 3.1. Credit Enhancement Payments and Liquidity Payments.

(a)(i) On each Bond Mortgage Payment Date, a portion of the Available Amount in an amount not to exceed the aggregate principal amount of the Bonds Outstanding (initially, \$91,000,000) is available for the payment of the Principal Component of the Guaranteed Payment and a portion of the Available Amount in an amount not to exceed the accrued interest on the Bonds Outstanding for up to 35 days at the Maximum Interest Rate (up to 40 days at the Maximum Interest Rate with respect to the first Required Bond Mortgage Payment) during the Variable Period and up to 189 days at the Reset Rate or the Fixed Rate during any Reset Period or Fixed Rate Period, as the case may be (calculated as provided in the definition of Available Amount), is available for the payment of the Interest Component of the Guaranteed Payment, subject to reduction and reinstatement as provided in Section 3.1(a)(iv). Funds shall be made available to the Trustee for such payment against delivery by the Trustee of a demand for payment (each a “**Draw Request**”). Until Freddie Mac provides the Trustee with written or electronic notice to the contrary, the Trustee shall deliver Draw Requests to Freddie Mac using the Wire Request System. If, for any reason, the Trustee is unable to deliver a Draw Request electronically for processing a payment using the Wire Request System, the Trustee shall notify Freddie Mac immediately via the Freddie Mac Trustee Hotline and Freddie Mac Trustee E-mail Account and deliver that Draw Request by facsimile or electronic transmission, immediately confirmed by overnight delivery service, of a Notice, in the form set forth in **Exhibit A-1** hereto,

to Freddie Mac at (571) 382-4798, if by facsimile transmission, or the Freddie Mac Trustee E-mail Account, if by electronic transmission (or to such other facsimile number or e-mail address or using such other means of electronic or telephonic communication as Freddie Mac shall designate in writing); provided that Freddie Mac may waive in writing the requirement of confirmation by overnight delivery service. If a Draw Request is made in strict conformity with the terms and conditions hereof, payment shall be made to the Trustee in immediately available funds (A) if such Draw Request is received by Freddie Mac by 12:00 Noon (Washington, D.C. time) on any Business Day, not later than 2:00 p.m. (Washington, D.C. time) on the next Business Day, and (B) if such Draw Request is so received after 12:00 Noon (Washington, D.C. time) on any Business Day, not later than 2:00 p.m. (Washington, D. C. time) on the second succeeding Business Day.

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

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

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

(b)(i) If on any Settlement Date, the Remarketing Agent is unable to remarket any or all of the Bonds tendered for purchase on such Settlement Date, Freddie Mac shall be obligated to pay to the Trustee in immediately available funds, not later than 2:00 p.m., Washington, D.C. time, on the Settlement Date, the Purchase Price of such tendered Bonds. The obligation of Freddie Mac to make such payment is subject to the condition precedent that Freddie Mac (A)

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

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

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

(iv) The obligation of Freddie Mac to pay the Purchase Price of tendered Bonds shall be reinstated (a) automatically, when and to the extent that (1) Freddie Mac has received reimbursement in immediately available funds for the amount provided pursuant to this Agreement to pay all or a portion of the Purchase Price of tendered Bonds or has received written confirmation from the Tender Agent that the Tender Agent has received immediately available funds which it will immediately remit to Freddie Mac as reimbursement for the amount provided to pay all or a portion of the Purchase Price of tendered Bonds, and (2) the Tender Agent has delivered to Freddie Mac, by facsimile at (571) 382-4798 or electronic transmission via the Freddie Mac Trustee E-mail Account or to such other facsimile number, e-mail address, office or Freddie Mac employee as Freddie Mac shall designate by written notice to the Tender Agent (with confirmation of the facsimile or electronic transmission by (A) telephone call to the Freddie Mac Trustee Hotline or to such other number, office or Freddie Mac employee as Freddie Mac shall designate by written notice to the Tender Agent and (B) concurrently mailed original by first class mail, postage fully prepaid, to Multifamily Loan Accounting or to such other office or Freddie Mac employee as Freddie Mac shall designate by written notice to the Tender Agent), a certificate in the form attached to this Agreement as Exhibit B, appropriately completed and executed by an officer of the Tender Agent or (b) at such time as and to the extent

that Freddie Mac, in its discretion, advises the Trustee in writing that such reinstatement shall occur, it being understood that Freddie Mac shall have no obligation to grant any such reinstatement except as provided in clause (a).

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

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

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

(d) Intentionally Omitted.

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

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

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

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

Trustee the full redemption price or Purchase Price of the Bonds upon the redemption, purchase in lieu of redemption or mandatory tender thereof.

(b) If Freddie Mac pays the Purchase Price of tendered Bonds in accordance with Section 3.06 or 10.02 of the Indenture, subsequent to its date of purchase Freddie Mac or an entity designated by Freddie Mac in accordance with Section 3.06 of the Indenture, as the case may be, may on any day elect:

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

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

(iii) upon 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 Borrower or any other person. Notwithstanding the foregoing, this Section 3.3 shall not be construed: to release the Trustee or the Issuer from any of their respective obligations hereunder or under the Indenture; except as provided in this Section, to prevent or restrict Freddie Mac from asserting any rights which it may have against the Issuer, the Trustee or the Borrower under this Agreement, the Indenture, the Intercreditor Agreement, the Bond Mortgage Loan or any provisions of law; or to prevent or restrict Freddie Mac, at its own cost and expense, from prosecuting or defending any action or proceeding by or against the Issuer, the Trustee or the Borrower or taking any other actions to protect or secure its rights; provided, however that any recovery against the Issuer is limited to the amounts held under the Indenture.

Section 3.4. *Adjustments to Required Bond Mortgage Payments and Guaranteed Payments.* In connection with any partial principal prepayments of amounts owing under the Bond

Mortgage Note, the Interest Component of the Required Bond Mortgage Payment shall be adjusted only upon the redemption of Bonds in the amount of such principal prepayment.

ARTICLE IV

FREDDIE MAC REIMBURSEMENTS

Section 4.1. *Reimbursements.*

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

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

ARTICLE V

COVENANTS

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

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

receiving notice or other information that such a redemption is expected to occur, if such proposed redemption is to be effected with less than 20 days' prior notice in accordance with the Indenture) prior to such redemption, other than scheduled mandatory sinking fund redemptions.

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

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

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

Wells Fargo Bank, National Association	
Name of Bank (if different from Trustee Name)	
Location of Bank (City and State):	San Francisco, CA
ABA Routing Number:	#121000248
Account Number:	0001038377
Reference:	[_____]
Attn:	[_____]

ARTICLE VI

DEFAULT AND REMEDIES

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

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

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

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

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

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

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

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

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

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

ARTICLE VII

MISCELLANEOUS PROVISIONS

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

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

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

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

To Freddie Mac: Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive, MS B4F
McLean, Virginia 22102
Attention: Director of Multifamily Loan Servicing
Facsimile: (703) 714-3003
Telephone: (703) 903-2000

with a copy to:

Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive, MS 210
McLean, Virginia 22102
Attention: Managing Associate General Counsel – Multifamily
 Legal Division
E-mail: Timothy_Oneill@freddiemac.com
Facsimile: (703) 903-2885
Telephone: (703) 903-2000

with a copy to:

Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive, MS B2E
McLean, Virginia 22102
Attention: Multifamily Operations - Loan Accounting
E-mail: mfla_trustees@freddiemac.com
Trustee Hotline: (703) 714-4177

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: _____
Monty Childs, Director

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

By: _____
Thomas Demchuk, Vice President

EXHIBIT A-1

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

Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive, MS B2E
McLean, VA 22102
Attention: Multifamily Operations - Loan Accounting
Facsimile: (571) 382- 4798

Project Name: Lakeside Village Apartments

Related Bonds: \$91,000,000 ABAG Finance Authority For Nonprofit Corporations
Variable Rate Demand Multifamily Housing Revenue Bonds (Lakeside
Village Apartments) 2011 Series A

CUSIP Number: 00037N PB6

Loan No.: 534400973 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 October 1, 2011 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, MS B2E
McLean, VA 22102
Attention: Multifamily Operations - Loan Accounting
Facsimile: (571) 382- 4798

Project Name: Lakeside Village Apartments

Related Bonds: \$91,000,000 ABAG Finance Authority For Nonprofit Corporations
Variable Rate Demand Multifamily Housing Revenue Bonds (Lakeside
Village Apartments) 2011 Series A

CUSIP Number: 00037N PB6

Loan No.: 534400973 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 October 1, 2011 relating to the Bond Mortgage Loan
securing the Bonds referenced above

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

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

CREDIT ENHANCEMENT PAYMENT DATE: _____, ____

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

REQUEST is hereby made for payment by Freddie Mac of such Freddie Mac Credit Enhancement Payment at or prior to 2:00 p.m., Washington, D.C. time, on the Credit Enhancement Payment Date.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

Authorized Signature: _____

Name: _____

Title: _____

EXHIBIT B

**CERTIFICATE FOR REINSTATEMENT OF
AVAILABLE AMOUNT**

To: Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive, MS B2E
McLean, VA 22102
Attention: Multifamily Operations - Loan Accounting

\$91,000,000

**ABAG Finance Authority For Nonprofit Corporations
Variable Rate Demand Multifamily Housing Revenue Bonds
(Lakeside Village Apartments) 2011 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 October 1, 2011, between 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 October 1, 2011, between Federal Home Loan Mortgage Corporation (“**Freddie Mac**”) and the Trustee, as applicable):

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

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

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

4. Of the total amount referred to in paragraph 3 of this Certificate, \$_____ represents the aggregate principal amount of Bonds described in

paragraph 2 of this Certificate and \$_____ represents accrued interest on such Bonds.

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

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

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

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

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Tender Agent

By: _____
Name:
Title:

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 (Beneficiary): _____

***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 CONTINUES ON FOLLOWING PAGE]

C. Trustee Authorized Signature:

Each of 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, 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 as Schedule A 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 2, which has been signed and sealed by the corporate Secretary or Assistant Secretary of the Trustee, a true, complete and correct copy of which is attached hereto.

Trustee Name: _____

Date: _____

Name	Position/Title	Signature
Address		<u>City, State and Zip Code</u>
Telephone	Fax	E-mail

Name	Position/Title	Signature
Address		<u>City, State and Zip Code</u>
Telephone	Fax	E-mail

[Insert other Authorized Persons, as needed.]

NOTE: PROVIDE A NOTARY PANEL FOR EACH AUTHORIZED PERSON INDICATED ABOVE.

STATE OF _____)

: ss

CITY/COUNTY OF _____)

On the ____ day of _____, 20____, before me, the undersigned notary public, personally appeared _____, who is personally known to me, or who proved to me on the basis of satisfactory evidence that he/she is the individual whose name is subscribed to the within instrument, and he/she acknowledged to me that he/she executed the same in his/her capacity as the _____ of _____.

[Seal]

Notary Public

STATE OF _____)

: ss

CITY/COUNTY OF _____)

On the ____ day of _____, 20____, before me, the undersigned notary public, personally appeared _____, who is personally known to me, or who proved to me on the basis of satisfactory evidence that he/she is the individual whose name is subscribed to the within instrument, and he/she acknowledged to me that he/she executed the same in his/her capacity as the _____ of _____.

[Seal]

Notary Public

* 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 2

to

Bond Wire Instruction Change Request Form

[INSTRUCTIONS: CORPORATE SECRETARY, PLEASE REMOVE THIS PAGE AND ATTACH AS EXHIBIT “A” THE BOARD RESOLUTION REFERENCED ABOVE USING THE EXAMPLE BELOW.]

EXAMPLE OF CORPORATE RESOLUTION:

**BOARD OF DIRECTORS
OF
WELLS FARGO BANK, NATIONAL ASSOCIATION**

DATE: _____

WHEREAS, the Board of Directors (the “**Board**”) of **Wells Fargo Bank, National Association** (the “**Corporation**”) is adopting the following Resolution to amend, restate, assign or reassign general delegations of authority regarding its management with respect to subject matters not otherwise covered by specific Resolutions of the Board.

NOW, THEREFORE, BE IT RESOLVED that the individuals listed below are fully authorized and empowered to establish accounts in any bank or financial or depository institution in the name and on behalf, of **Wells Fargo Bank, National Association**; to make deposits in, charge, transfer funds to, or withdraw funds from such accounts by checks, drafts, wire transfers, or other instruments or orders customarily used for the payment of accounts or the transfer of funds, including the proceeds of mortgages; and to make, execute, and deliver, wire transfer instructions or Automated Clearing House (ACH) instructions (if applicable) in writing or by electronic means, including any and all written instruments necessary or proper to effectuate the authority hereby conferred; and that any such actions heretofore taken by any of the following persons on behalf of **Wells Fargo Bank, National Association** are hereby ratified, approved, and confirmed.

[The Resolution should set forth either: (i) designated individuals by their names and their titles or (ii) categories of authorized employees (for example: Senior Vice Presidents, Vice Presidents, Treasurers, etc.)]

By the Board of Directors

[Typed Name], Secretary/Assistant Secretary

[ATTACH CORPORATE SEAL]

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 each of the following persons, as of the date hereof, holds the office of the Trustee set opposite his or her name below, and that each such person is duly authorized to disseminate the Trustee's wire instructions.

Name: _____

Title: _____

Name: _____

Title: _____

Name: _____

Title: _____

Name: _____

Title: _____

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

[ATTACH THE CORPORATE SEAL]

Print Name: _____

Title: [Secretary / Assistant Secretary]

APPENDIX D

FORM OF CONTINUING DISCLOSURE

\$91,000,000

**ABAG Finance Authority For Nonprofit Corporations
Variable Rate Demand Multifamily Housing Revenue Bonds
(Lakeside Village Apartments) 2011 Series A**

This Continuing Disclosure Agreement, dated as of October 1, 2011 (this “Continuing Disclosure Agreement”), is executed and delivered by Standard Lakeside I LP, a limited partnership duly organized and existing under the laws of the State of California (the “Borrower”) and Wells Fargo Bank, National Association, as dissemination agent (the “Dissemination Agent”) and trustee (the “Trustee”) for the above-captioned bonds (the “Bonds”). The Bonds are being issued pursuant to a Trust Indenture, dated as of October 1, 2011 (the “Indenture”) between the ABAG Finance Authority For Nonprofit Corporations (the “Issuer”) and the Trustee. Pursuant to the Indenture and the Financing Agreement, the Dissemination Agent and the Borrower covenant and agree as follows:

Section 1. Purpose of the Continuing Disclosure Agreement. This Continuing Disclosure Agreement is being executed and delivered by the Borrower and the Dissemination Agent for the benefit of the Bondholders and in order to assist the Participating Underwriter in complying with the Rule (defined below). The Borrower and the Dissemination Agent acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Continuing Disclosure Agreement, and has no liability to any Person, including any holder of the Bonds or Beneficial Owner, with respect to any such reports, notices or disclosures.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Continuing Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Borrower pursuant to, and as described in, Sections 3 and 4 of this Continuing Disclosure Agreement.

“Audited Financial Statements” means, in the case of the Borrower, the annual audited financial statements prepared in accordance with generally accepted accounting principles, if any.

“Beneficial Owner” shall mean any Person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including Persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the administrator of the Project or his or her designee, or such other Person as the Borrower shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean Wells Fargo Bank, National Association acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Borrower and which has filed with the Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Continuing Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934. All documents provided to the MSRB shall be in an electronic format and accompanied by identifying information, as prescribed by the MSRB. Initially, all document submissions to the MSRB pursuant to this Continuing Disclosure Agreement shall use the MSRB’s Electronic Municipal Market Access (EMMA) system at www.emma.msrb.org.

“Participating Underwriter” means Citigroup Global Markets Inc. and its successors and assigns.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports. (a) The Borrower will, or will cause the Dissemination Agent to, not later than 180 days following the end of the Borrower’s fiscal year, commencing with the fiscal year ending in 2011, provide to the MSRB an Annual Report which is consistent with the requirements described below. No later than 15 Business Days prior to said date, the Borrower will provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package and may cross reference other information, provided that the audited financial statements for the prior calendar year of the Borrower may be submitted separately from the balance of the Annual Report.

If by 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent will contact the Disclosure Representative to determine if the Borrower is in compliance with subsection (a).

If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent will send a notice to the MSRB in substantially the form attached as Exhibit B to this Continuing Disclosure Agreement.

The Dissemination Agent will file a report with the Borrower and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Continuing Disclosure Agreement, stating the date it was provided.

Section 4. Content of Annual Reports. The Borrower’s Annual Report will contain or incorporate by reference the financial information or operating data with respect to the Project, provided at least annually, of the type included in Exhibit A hereto, which Annual Report may, but is not required to, include Audited Financial Statements. If the Borrower’s audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report will contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report when they become available; and

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Borrower is an “Obligated Person” (as defined by the Rule), which have been filed with the MSRB. The Borrower will clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Listed Events. (a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events (each, a “Listed Event”):

Principal and interest payment delinquencies;

Non-payment related defaults, if material;

Unscheduled draws on debt service reserves reflecting financial difficulty;

Unscheduled draws on credit enhancements reflecting financial difficulty;

Substitution of credit or liquidity providers, or their failure to perform;

Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other Listed Events affecting the tax status of the Bonds;

Modifications to rights of Bondholders, if material;

Bond calls, if material, and tender offers;

Defeasances;

Release, substitution or sale of property securing repayment of the Bonds, if material;

Rating changes;

Bankruptcy, insolvency, receivership or similar event of the Borrower. For purposes of this clause (xii), any such event shall be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borrower;

The consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

Appointment of a successor or additional trustee or paying agent or the change of the name of a trustee or paying agent, if material.

(b) The Dissemination Agent shall, within three (3) Business Days of obtaining actual knowledge of the occurrence of any potential Listed Event, pursuant to subsection (c) of this Section or otherwise, provide the Disclosure Representative with notice (by facsimile transmission confirmed by telephone or by email). While the Dissemination Agent is also the Trustee, the Dissemination Agent shall be deemed to have actual knowledge of those items listed in clauses (i), (iii), (solely with respect to funds

held by the Trustee), (iv), (v), (vii), (viii), (ix), (x) and (xiv) above without the Dissemination Agent having received notice of such event. While the Dissemination Agent is not also the Trustee, the Dissemination Agent shall not be deemed to have actual knowledge of any items listed in clauses (i) - (xiv) above without the Dissemination Agent having received written notice of such event. For purposes of providing notice to the Disclosure Representative, the Dissemination Agent shall assume that the unscheduled draws described in clauses (iii) and (iv) reflect financial difficulty.

(c) Whenever the Borrower obtains knowledge of the occurrence of a potential Listed Event, the Borrower shall, within five (5) Business Days of obtaining such knowledge and in any event no more than eight (8) Business Days after the occurrence of such event, determine if such event is in fact a Listed Event that is required by the Rule to be disclosed and provide the Dissemination Agent with notice and instructions pursuant to subsections (d) or (e) below, as applicable.

(d) If the Borrower has determined that a Listed Event is required to be disclosed then the Borrower shall prepare a written notice describing the Listed Event and provide the same to the Dissemination Agent along with instructions to file the same pursuant to subsection (f) below.

(e) If the Borrower determines that an event is not required to be disclosed as a Listed Event then the Borrower shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been provided with a written notice describing a Listed Event pursuant to subsection (c) of this Section or otherwise, and is instructed by the Borrower to report the occurrence of such Listed Event, the Dissemination Agent shall, within two (2) Business Days of its receipt of such written notice and in any event no more than ten (10) Business Days after the occurrence of the Listed Event, file the notice with the MSRB and send a copy to the Borrower. The foregoing notwithstanding, notice of a Listed Event described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Borrower and the Dissemination Agent may amend this Continuing Disclosure Agreement (and the Dissemination Agent will agree to any amendment so requested by the Borrower unless such amendment adversely affects its rights, duties, protections, immunities, indemnities or standard of care, as determined by the Dissemination Agent) and any provision of this Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions described under paragraph (a) under “Provision of Annual Reports,” “Contents of Annual Reports” or paragraph (a) under “Reporting of Listed Events,” it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an Obligated Person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders or (ii)

does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Agreement, the Borrower will describe such amendment in the next Annual Report and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Borrower. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in the same manner as for a Listed Event under Section 5(f) hereof and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Default. In the event of a failure of the Borrower or the Dissemination Agent to comply with any provision of this Continuing Disclosure Agreement, the Trustee may (and, at the request of the Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds and upon being indemnified to its satisfaction, will), or the Borrower or any Holder or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking, or specific performance by court order, to cause the Borrower or the Dissemination Agent, as the case may be, to comply with its obligations under this Continuing Disclosure Agreement. A default under this Continuing Disclosure Agreement will not be deemed an Event of Default under the Indenture or the Financing Agreement, and the sole remedy under this Continuing Disclosure Agreement in the event of any failure of the Borrower or the Dissemination Agent to comply with this Continuing Disclosure Agreement will be an action to compel performance.

Section 8. Beneficiaries. This Continuing Disclosure Agreement will inure solely to the benefit of the Borrower, the Trustee, the Dissemination Agent, the Participating Underwriter and Holders from time to time of the Bonds and will create no rights in any other Person or entity.

Section 9. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Borrower chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Continuing Disclosure Agreement, the Borrower shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VII of the Indenture is hereby made applicable to this Continuing Disclosure Agreement as if this Continuing Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Dissemination Agent shall be entitled to the same protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Continuing Disclosure Agreement, and the Borrower agrees to indemnify and save the Dissemination Agent, the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their rights, obligations, powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or Trustee's respective negligence or willful

misconduct. The obligations of the Borrower under this Section shall survive the termination of this Continuing Disclosure Agreement, the resignation or removal of the Dissemination Agent or the Trustee and payment of the Bonds. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Borrower, the Bondholders, or any other party. Neither the Trustee or the Dissemination Agent shall have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from the breach of this Continuing Disclosure Agreement.

The Dissemination Agent agrees to disseminate the information provided to it hereunder in the form delivered by the Borrower. The Dissemination Agent is acting hereunder solely in an agency capacity and as such is merely a conduit for the Borrower, and shall have no liability or responsibility for the form, content, accuracy or completeness of any information furnished hereunder. Any such information may contain a legend to that effect.

The Dissemination Agent shall have no obligation to make disclosure concerning the Bonds, the Project or any other matter except as expressly set out herein, provided that no provision of this Continuing Disclosure Agreement shall limit the duties, trusts, rights, powers or obligations of the Trustee under the Indenture. The fact that the Trustee has or may have any banking, fiduciary or other relationship with the Borrower or any other party in connection with the Project or otherwise, apart from the relationship created by the Indenture and this Continuing Disclosure Agreement, shall not be construed to mean that the Trustee has knowledge or notice of any event or condition relating to the Bonds or the Project except in its respective capacities under such agreements.

No provision of this Continuing Disclosure Agreement shall require or be construed to require the Borrower or the Dissemination Agent to interpret or provide an opinion concerning any information disclosed hereunder.

The Annual Report may contain such disclaimer language as the Borrower may deem appropriate. Any information disclosed hereunder by the Dissemination Agent may contain such disclaimer language as the Dissemination Agent may deem appropriate.

The Borrower hereby agrees to compensate the Dissemination Agent for the services provided and the expenses incurred pursuant to this Continuing Disclosure Agreement, in an amount to be agreed upon from time to time hereunder, and to reimburse the Dissemination Agent upon its request for all reasonable expenses, disbursements and advances incurred by the Dissemination Agent hereunder (including any reasonable compensation and expenses of counsel) except any such expense, disbursement or advance that may be attributable to its negligence or willful misconduct.

The Dissemination Agent may consult with counsel of its choice and the advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon, it being understood that for purposes of this provision, that such counsel may be counsel to the Borrower.

No provision of this Continuing Disclosure Agreement shall require the Dissemination Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights of powers.

Section 11. Notices. Any notices or communications to or among any of the parties to this Continuing Disclosure Agreement may be given at the addresses set forth in the Indenture. Any person

may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices of communications should be sent, effective only upon receipt.

Section 12. Governing Law. This Continuing Disclosure Agreement shall be governed by the laws of the State of California.

Section 13. Termination of this Continuing Disclosure Agreement. The Borrower or the Dissemination Agent may terminate this Continuing Disclosure Agreement by giving written notice to the other party at least 30 days prior to such termination. The Dissemination Agent shall be fully discharged at the time any such termination is effective.

Section 14. Counterparts. This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of Page Left Blank Intentionally]

[Borrower's Signature Page to Continuing Disclosure Agreement]

STANDARD LAKESIDE I LP,
a California limited partnership

By: Standard Lakeside GP LLC,
a California limited liability company

Its: Co-General Partner

By _____
Jeffrey E. Jaeger, Authorized Officer

By: Pacific Southwest Community Development
Corporation, a California nonprofit public benefit
corporation

Its: Managing General Partner

By _____
Robert W. Laing, President

[Trustee's signature page to Continuing Disclosure Agreement]

**WELLS FARGO BANK, NATIONAL
ASSOCIATION,**
as Trustee and Dissemination Agent

By: _____
Authorized Signatory

EXHIBIT A

ANNUAL REPORT

\$91,000,000

**ABAG Finance Authority For Nonprofit Corporations
Variable Rate Demand Multifamily Housing Revenue Bonds
(Lakeside Village Apartments) 2011 Series A**

Report for Period Ending _____

THE PROJECT

Name: _____

Address: _____

Occupancy _____

Number of Units _____

Number of Units Occupied as of Report Date _____

OPERATING HISTORY OF THE PROJECT

The following table sets forth a summary of the operating results of the Project for fiscal year ended _____, as derived from the Borrower's [un]audited financial statements.

Revenues

Operating Expenses¹

Net Operating Income

Debt Service on the Loan

Net Operating Income/(Loss)

After Debt Service

The average occupancy of the Project for the fiscal year ended [____] was [____] %.

¹Excludes depreciation and other non-cash expenses, includes management fee.

EXHIBIT B

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF
FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: ABAG Finance Authority For Nonprofit Corporations

Name of Bond Issue: ABAG Finance Authority For Nonprofit Corporations Variable Rate Demand Multifamily Housing Revenue Bonds (Lakeside Village Apartments) 2011 Series A

Name of Borrower: Standard Lakeside I LP, a limited partnership duly organized and existing under the laws of the State of California

Date of Issuance: October 28, 2011

NOTICE IS HEREBY GIVEN that the above-referenced borrower (the "Borrower") has not provided an Annual Report in connection with the above-named bonds (the "Bonds") as required by a Trust Indenture, dated as of October 1, 2011 (the "Indenture"), between the above-named Issuer (the "Issuer") and Wells Fargo Bank, National Association, as trustee (the "Trustee") and the Financing Agreement, dated as of October 1, 2011, by and among the Issuer, the Trustee, and the Borrower. The undersigned has been informed by the Borrower that it anticipates that the Annual Report will be filed by _____.

Dated:

**WELLS FARGO BANK, NATIONAL
ASSOCIATION,**
as Trustee and Dissemination Agent

By: _____
Name: _____
Title: _____

cc: Borrower