

*In the opinion of Orrick, Herrington & Sutcliffe LLP, 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 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.*

**\$3,220,000**

**ABAG FINANCE AUTHORITY  
FOR NONPROFIT CORPORATIONS  
AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS  
(VINTAGE AT LAGUNA II) 2009 SERIES A-3**

**\$4,030,000**

**ABAG FINANCE AUTHORITY  
FOR NONPROFIT CORPORATIONS  
MULTIFAMILY HOUSING REVENUE BONDS  
(VINTAGE AT LAGUNA II) 2011 SERIES A**

**Release Date: September 16, 2011**

**Expected Delivery Date: September 16, 2011**

**Maturity: as shown on the inside cover**

Pursuant to the provisions of 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 (the "Act") and the Indenture dated as of December 1, 2009 (the "General Indenture"), as amended and supplemented by the Series Indenture dated as of December 1, 2009 (the "First Series Indenture"), as amended by the First Amendment to Indenture, dated as of November 1, 2010 (the "First Amendment"), and as amended by the First Amendment to Series Indenture, dated as of November 1, 2010 (the "First Series Indenture Amendment" and, together with the General Indenture, the First Series Indenture and the First Amendment, the "Original Indenture"), each between the ABAG Finance Authority For Nonprofit Corporations (the "Issuer"), a joint exercise of powers agency organized and existing under the laws of the State of California (the "State") and Wells Fargo Bank, National Association, as trustee (the "Trustee"), the Issuer previously issued its ABAG Finance Authority For Nonprofit Corporations Affordable Multifamily Housing Revenue Bonds, 2009 Series A (the "Program Bonds") in the original aggregate principal amount of \$65,780,000 to provide for the financing of multifamily rental housing developments through the New Issue Bond Program of the Housing Finance Agency Initiative announced by the United States Department of the Treasury on October 19, 2009 (the "Program"). The Issuer is using the proceeds derived from the sale of a portion of the Program Bonds (re-designated the ABAG Finance Authority For Nonprofit Corporations Affordable Multifamily Housing Revenue Bonds (Vintage at Laguna II) 2009 Series A-3) in the principal amount of \$3,220,000 (the "2009 Series A-3 Bonds") on September 16, 2011 (the "Release Date") pursuant to the Series Indenture dated as of September 1, 2011 between the Issuer and the Trustee (the "Series Indenture" and, together with the Original Indenture, the "Indenture"), to make a mortgage loan (the "2009 Series A-3 Bond Mortgage Loan") to Laguna Seniors II, L.P., a limited partnership duly organized and existing under the laws of the State of California (the "Borrower"). Pursuant to the Act and the Indenture, simultaneously with release of the 2009 Series A-3 Bonds, the Issuer is issuing its Multifamily Housing Revenue Bonds (Vintage at Laguna II) 2011 Series A in the principal amount of \$4,030,000 (the "2011 Series A Bonds" and, together with the 2009 Series A-3 Bonds, the "Bonds") to make an additional mortgage loan in the principal amount of \$4,030,000 (the "2011 Series A Bond Mortgage Loan" and together with the 2009 Series A-3 Bond Mortgage Loan, the "Bond Mortgage Loan") to the Borrower to provide for the financing of a multifamily rental housing development located in the City of Elk Grove, California and to be known as Vintage at Laguna II (the "Project"). The Bond Mortgage Loan will be made pursuant to a Financing Agreement dated as of September 1, 2011 (the "Financing Agreement"), by and among the Issuer, the Trustee and the Borrower, and upon the satisfaction of various conditions contained in the Series Indenture.

The Bonds are being delivered in fully registered form only and are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Ownership interests with respect to the Bonds may be purchased only in book-entry form in denominations of \$5,000 and integral multiples thereof and, for purposes of the release and redemption of the 2009 Series A-3 Bonds, \$10,000 principal amount or any integral multiple of \$10,000 in excess thereof. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Bondholders shall mean Cede & Co. and shall not mean the ultimate purchasers of the Bonds. See "THE BONDS - Book-Entry Only System." The Bonds shall bear interest at the rate, set forth on the inside front cover page hereof and as described herein. Interest on the 2009 Series A-3 Bonds will be payable on the Permanent Rate Conversion Date (as defined herein) and semiannually thereafter on each March 1 and September 1, commencing March 1, 2012 and interest on the 2011 Series A Bonds will be payable March 1 and September 1 of each year, commencing March 1, 2012 (each an "Interest Payment Date"). So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, payments of the principal of, premium, if any, and interest on, the Bonds will be made directly to DTC or its nominee, Cede & Co., by Wells Fargo Bank, National Association (the "Trustee"). Disbursements of such payments to DTC's Participants are the responsibility of DTC.

On the Delivery Date the Federal Home Loan Mortgage Corporation,

**FREDDIE MAC**

a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States ("Freddie Mac") is expected to provide credit enhancement for payments of principal and interest under the Bond Mortgage Loan and payments of the Purchase Price (in the event of a purchase in lieu of redemption) of the Bonds through the issuance of a direct-pay Credit Enhancement Agreement (the "Credit Enhancement Agreement" or "Credit Facility") between the Trustee and Freddie Mac. The Credit Enhancement Agreement will terminate on January 6, 2044 (unless earlier terminated or extended as provided therein), or upon the earlier redemption or purchase in lieu thereof of the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The Bonds will be subject to redemption prior to their stated maturity dates at the prices, on the terms and upon the occurrence of the events described herein. The maturity of the Bonds may be accelerated upon the occurrence of certain events as further described herein. See "THE BONDS" and "APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE SERIES INDENTURE - Defaults and Remedies").

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE SERIES INDENTURE. NONE OF ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG"), THE MEMBERS 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 ITS MEMBERS 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 OR 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 HEREIN. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO PAY ANY PRINCIPAL OR 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 cover page contains certain information for quick reference only. It is not a complete summary of the Bonds. Investors must read the entire Official Statement to obtain information essential in the making of an informed investment decision.

Citigroup Global Markets Inc. has served as the Underwriter of the 2011 Series A Bonds.

**Citi**

The Bonds are subject to the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for Freddie Mac by its Legal Division and by its counsel, Kutak Rock LLP, Omaha, Nebraska, for the Borrower by its counsel, Bocarsly Emden Cowan Esmail & Arndt LLP, Los Angeles, California, for the Issuer by Chapman and Cutler LLP, San Francisco, California and for the Issuer with respect to the Bonds and to the Underwriter with respect to the 2011 Series A Bonds, by Eichner & Norris PLLC, Washington, D.C., Disclosure Counsel to the Issuer with respect to the Bonds and counsel to the Underwriter with respect to the 2011 Series A Bonds.

## MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

### 2009 Series A-3 Bonds

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>CUSIP</b>
January 1, 2044	\$3,220,000	2.58%†	100%	00037N NY8

† The Permanent Rate to be borne on the 2009 Series A-3 Bonds, from and including November 16, 2011 to maturity. From the Release Date through November 15, 2011, the 2009 Series A-3 Bonds will bear interest at a rate equal to the sum of the Four Week T-Bill Rate (as of the second business day prior to the Release Date) plus 60 basis points (0.60%).

### 2011 Series A Bonds

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>CUSIP</b>
September 1, 2013	\$4,030,000	0.95%	100%	00037N NZ5

## USE OF INFORMATION IN THIS OFFICIAL STATEMENT

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

No broker, dealer, salesman or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Bonds made hereby and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer or by the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer, solicitation or sale is not authorized, or in which the person making such offer, solicitation or sale is not qualified to do so or to any person to whom it is unlawful to make such offer, solicitation or sale. The information set forth under the captions "THE ISSUER" and "ABSENCE OF LITIGATION – The Issuer" has been furnished by the Issuer. All other information set forth herein has been obtained from the Borrower and other sources (other than the issuer) that are believed to be reliable. The adequacy, accuracy or completeness of such information is not guaranteed by, and is not to be construed as a representation of, the Issuer or the Underwriter. The information and expressions of opinion contained herein are subject to change without notice after the date hereof 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.

The information set forth herein relating to the Project and the Borrower has been obtained from the Borrower, and all other information herein has been obtained by other sources deemed to be reliable, but is not to be construed as a representation by the Issuer. The information herein is 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 affairs of the Issuer, the Borrower or any other party since the date hereof.

Freddie Mac has not provided or approved any information in this Official Statement except with respect to the descriptions under the caption "FREDDIE MAC" and takes no responsibility for any 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 will be limited to entering into the Credit Enhancement Agreement described herein.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement with respect to the 2011 Series A Bonds in accordance with, and as 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 the completeness of such information.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 3(a)(2) OF THE SECURITIES ACT. THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED (THE "TRUST INDENTURE ACT"), IN RELIANCE UPON AN EXEMPTION CONTAINED IN THE TRUST INDENTURE ACT.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements generally are identifiable by the terminology used, such

as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The neither the Issuer nor the Borrower plans to issue any updated or revisions to those forward-looking statements if or when changes to its expectations or events, conditions or circumstances in which such statements are based occur.

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## OFFICIAL STATEMENT

**\$3,220,000**

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS  
AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS  
(VINTAGE AT LAGUNA II) 2009 SERIES A-3**

and

**\$4,030,000**

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS  
MULTIFAMILY HOUSING REVENUE BONDS  
(VINTAGE AT LAGUNA II) 2011 SERIES A**

### INTRODUCTION

*The following is a summary of certain information contained in this Official Statement, to which reference should be made for a complete statement thereof. The Bonds are described to potential investors only by means of the entire Official Statement. Capitalized terms used but not defined herein will have the meanings ascribed to them as set forth under "Appendix A – Definitions of Certain Terms."*

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 Series Indenture and the Financing Agreement (as such terms are defined herein).

#### **General**

Pursuant to the provisions of 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 (the "Act") and the Indenture dated as of December 1, 2009 (the "General Indenture"), as amended and supplemented by the Series Indenture dated as of December 1, 2009 (the "First Series Indenture"), as amended by the First Amendment to Indenture, dated as of November 1, 2010 (the "First Amendment"), and as amended by the First Amendment to Series Indenture, dated as of November 1, 2010 (the "First Series Indenture Amendment" and, together with the General Indenture, the First Series Indenture, the First Amendment, the "Original Indenture"), each between the ABAG Finance Authority For Nonprofit Corporations (the "Issuer"), a joint exercise of powers agency organized and existing under the laws of the State of California (the "State") and Wells Fargo Bank, National Association, as trustee (the "Trustee"), the Issuer previously issued its ABAG Finance Authority For Nonprofit Corporations Affordable Multifamily Housing Revenue Bonds, 2009 Series A (the "Program Bonds") in the original aggregate principal amount of \$65,780,000 to provide for the financing of multifamily rental housing developments through the New Issue Bond Program of the Housing Finance Agency Initiative announced by the United States Department of the Treasury on October 19, 2009 (the "Program"). Pursuant to the Series Indenture dated as of September 1, 2011 between the Issuer and the Trustee (the "Series Indenture" and, together with the Original Indenture, the "Indenture"), the Issuer is using a portion of the proceeds derived from the sale of the Program Bonds (re-designated the ABAG Finance Authority For Nonprofit Corporations Affordable Multifamily Housing Revenue Bonds (Vintage at Laguna II) 2009 Series A-3 in

the principal amount of \$3,220,000 the (“2009 Series A-3 Bonds”) on September 16, 2011 (the “Release Date”) to make a mortgage loan to Laguna Seniors II, L.P., a California limited partnership (the “Borrower”) to finance the Project as described herein. If the Release Date is not the Delivery Date the Issuer will not make the mortgage loan to the Borrower on the Release Date.

Pursuant to the Act, simultaneously with release of the 2009 Series A-3 Bonds, the Issuer is issuing its Multifamily Housing Revenue Bonds (Vintage at Laguna II) 2011 Series A in the principal amount of \$4,030,000 (the “2011 Series A Bonds” and, together with the 2009 Series A-3 Bonds, the “Bonds”) to make an additional mortgage loan to the Borrower. After the Release Date, both series of bonds will be secured and governed by the Series Indenture. The proceeds of the Bonds will be used to make a mortgage loan in the aggregate principal amount of \$7,250,000 (the “Bond Mortgage Loan”) to the Borrower to provide for the financing of a multifamily rental housing development located in the City of Elk Grove, California and to be known as Vintage at Laguna II (the “Project”). See “THE PROJECT AND THE PRIVATE PARTICIPANTS.”

The Bond Mortgage Loan will be made pursuant to a Financing Agreement to be dated as of September 1, 2011 (the “Financing Agreement”), by and among the Issuer, the Trustee and the Borrower, and upon the satisfaction of various conditions contained therein and in the Series Indenture.

On the Delivery Date, the Bond Mortgage Loan will be evidenced by a non-recourse Bond Mortgage Note to be dated the Delivery Date (together with all riders and addenda thereto, the “Bond Mortgage Note”), delivered to the Issuer, which Bond Mortgage Note will be assigned by the Issuer to the Trustee and Freddie Mac, as their interests may appear. The Bond Mortgage Note will be secured by a First Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing to be dated as of September 1, 2011 (the “Bond Mortgage”), with respect to the Project, which Bond Mortgage will be assigned by the Trustee to Freddie Mac, as its interest may appear. The principal amount and payment provisions of the Bond Mortgage Note will be 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.

In addition to the other security provided under the Series Indenture, beginning on the Delivery Date the required payments under the Bond Mortgage Note will be secured by Guaranteed Payments under a direct pay Credit Enhancement Agreement to be dated as of September 1, 2011 (the “Credit Enhancement Agreement” or “Credit Facility”), between the Federal Home Loan Mortgage Corporation (“Freddie Mac” or “Credit Facility Provider”) and the Trustee. 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 (provided that the Trustee makes a conforming draw on the Credit Enhancement Agreement) the sum of the Interest Component and the Principal Component of a Guaranteed Payment and the Purchase Price of the Bonds in the event of a purchase in lieu of redemption. See “THE BONDS” herein and Appendices A and G hereto.

To evidence the repayment obligations of the Borrower to Freddie Mac as a result of payments made by Freddie Mac under the Credit Enhancement Agreement, on the Delivery Date the Borrower and Freddie Mac will enter into a Reimbursement and Security Agreement to be dated as of September 1, 2011 (the “Reimbursement Agreement”). To secure the obligations of the Borrower pursuant to the Reimbursement Agreement, the Borrower will execute and deliver for the benefit of Freddie Mac a Second Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing to be

dated as of September 1, 2011 (the "Reimbursement Mortgage"). Bondholders will have no rights with respect to and are not third party beneficiaries of the Reimbursement Mortgage.

It is a condition to the delivery of the Credit Enhancement Agreement by Freddie Mac to the Trustee and the funding of the Construction Loan by the Construction Lender that the Issuer, the Trustee, Freddie Mac and the Construction Lender enter into an Intercreditor Agreement to be dated as of September 1, 2011 (the "Intercreditor Agreement"), pursuant to which the rights of the Issuer, the Trustee, Freddie Mac and the Construction Lender to enforce remedies under the Bond Mortgage, Reimbursement Mortgage and Construction Phase Reimbursement Mortgage, respectively, are set forth among the parties. None of the Issuer, Trustee or the Bondholders will have the right to exercise certain remedies (without the prior consent or direction of Freddie Mac) under the Bond Mortgage during any period the Credit Enhancement Agreement remains in effect and Freddie Mac continues to honor its obligations thereunder.

To further secure Freddie Mac against any loss Freddie Mac may incur as a result of advancing funds under the Credit Enhancement Agreement, and to facilitate the financing of the Bond Mortgage Loan during the Construction Phase, Citibank, N.A. (the "Construction Lender"), at the request of the Borrower, will (a) make a conventional construction loan to Borrower (the "Construction Loan") pursuant to the terms and subject to the conditions of a Construction Loan Agreement to be dated as of September 1, 2011 (the "Construction Loan Agreement") with the Borrower, and (b) enter into a Construction Phase Financing Agreement to be dated as of September 1, 2011 (the "Construction Phase Financing Agreement") with Freddie Mac and Citibank, N.A., in its capacity as Freddie Mac seller/servicer (the "Servicer").

Initially, Freddie Mac will be secured by Bond Proceeds held in the Project Account of the Bond Mortgage Loan Fund and monies deposited by the Construction Lender in the Freddie Mac Collateral Fund. The Construction Lender will advance amounts under the Construction Loan to pay costs of the Project and to reimburse Freddie Mac for draws under the Credit Facility.

Subject to the terms and conditions of the Construction Phase Financing Agreement and the Construction Loan Agreement, but no later than October 1, 2012, the Construction Lender shall issue to Freddie Mac a clean, unconditional, irrevocable and transferrable standby letter of credit (the "Construction Phase Credit Facility") and upon receipt of the Construction Phase Credit Facility and the accompanying Letter of Credit Opinion Letter, Freddie Mac shall issue a Direction to Release with respect to the Bond proceeds and amounts held in the Freddie Mac Collateral Fund.

Freddie Mac's participation as a credit enhancer will not extend beyond the Construction Phase (as defined in the Construction Phase Financing Agreement), unless the Conditions to Loan Conversion which are set forth in the Construction Phase Financing Agreement are satisfied on or prior to the Forward Commitment Maturity Date. If the Conditions to Loan Conversion are satisfied on or prior to the Forward Commitment Maturity Date (or, to the extent not satisfied, are waived by Freddie Mac) the Bond Mortgage Loan will convert from the Construction Phase to the Permanent Phase (as defined in the Construction Phase Financing Agreement) (such an event referred to as the "Loan Conversion"). The 2011 Series A Bonds must mature or be redeemed for Loan Conversion to occur. Upon Loan Conversion, the Credit Enhancement Agreement will continue to secure payments of principal of and interest on the Bond Mortgage Loan and, in the event of a purchase in lieu of redemption, payments of the Purchase Price on the 2009 Series A-3 Bonds. If the Conditions to Loan Conversion are not satisfied prior to the Forward Commitment Maturity Date (or, to the extent not satisfied, are not waived by Freddie Mac), Loan Conversion will not occur, and the Bonds will be subject to mandatory redemption in whole (or purchase in lieu thereof) if so directed by Freddie Mac. No such redemption (or purchase in lieu) resulting from such event will be made at a premium. In the event of such a mandatory redemption in

whole, the redemption price is to be paid with funds provided under the Credit Enhancement Agreement. Alternatively, in lieu of such redemption, the Bonds may be purchased by the Trustee for the account of the Construction Lender from amounts advanced under the Credit Enhancement Agreement (upon satisfaction of the conditions set forth in the Construction Phase Financing Agreement). See “THE BONDS—Mandatory Redemption of Bonds” herein.

The Conditions to Loan Conversion include, for example (but are not limited to), completion of the construction of the Project substantially in compliance with the approved scope of work and the achievement of certain specified levels of occupancy from the leasing of units in the Project. No assurance can be given that all of the Conditions to Loan Conversion will be satisfied on or prior to the Forward Commitment Maturity Date. From and after the Loan Conversion, the Borrower is required to make its Bond Mortgage Loan payments to the Servicer. From amounts received from the Borrower, the Servicer is required to (i) reimburse Freddie Mac for amounts paid by Freddie Mac under the Credit Enhancement Agreement and to remit to Freddie Mac the Credit Enhancement Fee, (ii) remit to the Trustee amounts for deposit to the Administration Fund for certain fees payable to the Trustee, the Issuer and the Rebate Analyst, (iii) retain the Servicer’s Servicing Fee and (iv) make scheduled monthly deposits to fund certain reserves (which have been established solely for the benefit of Freddie Mac).

In addition, even if Loan Conversion occurs, no assurance can be given that the principal amount of the 2009 Series A-3 Bond Mortgage Loan after Loan Conversion, as finally determined in accordance with the Construction Phase Financing Agreement, will not be less than the original principal amount of the 2009 Series A-3 Bond Mortgage Loan. If the principal amount of the 2009 Series A-3 Bond Mortgage Loan, as finally determined in accordance with the Construction Phase Financing Agreement is less than the original principal amount of the 2009 Series A-3 Bond Mortgage Loan, the principal amount of the 2009 Series A-3 Bond Mortgage Loan must, as a Condition to Loan Conversion, be reduced by the Borrower’s prepayment of the 2009 Series A-3 Bond Mortgage Loan in part (a “Loan Equalization Payment”). Upon such prepayment, a corresponding portion of the principal amount of the 2009 Series A-3 Bonds will be subject to mandatory redemption. Any such mandatory redemption will be at a redemption price equal to the principal amount of the 2009 Series A-3 Bonds to be redeemed plus accrued interest to the redemption date. No such redemption will be made at a premium. If such prepayment in part is required as a Condition to Loan Conversion and is not made, Loan Conversion will not occur and the Bonds will be subject to mandatory redemption or purchase in whole, as described above. See also “THE BONDS—Mandatory Redemption of Bonds” herein.

On the Delivery Date, and solely for the benefit of Freddie Mac, the Construction Lender will advance proceeds of the Construction Loan to the Trustee for deposit to the Freddie Mac Collateral Fund in an amount, when combined with the initial deposit to the Project Accounts of the Bond Mortgage Loan Fund, will equal or exceed the Construction Phase Collateral Requirement. The Construction Lender will advance proceeds of the Construction Loan, in accordance with the terms of the Construction Loan Agreement and the Construction Phase Financing Agreement, to pay costs of construction, and Costs of the Project (including deposits to the Trustee to reimburse Freddie Mac for draws under the Credit Enhancement Agreement. Prior to Freddie Mac’s delivery of a Direction to Release, at all times during the Construction Phase, the sum of (a) amounts deposited and held in the Project Accounts of the Bond Mortgage Loan Fund plus (b) amounts deposited and held in the Freddie Mac Collateral Fund (disregarding any investment earnings thereon), is equal to an amount not less than the Construction Phase Collateral Requirement.

During the Construction Phase, the Construction Lender will serve as the construction loan administrator and be responsible for providing inspection oversight of the Project, including monitoring of disbursement of the Bond Mortgage Loan proceeds to the Borrower in accordance with the terms of the Series Indenture, the Construction Loan Agreement and the Construction Phase Financing Agreement.

During the Permanent Phase, it is expected that the Servicer will act as servicer for the Bond Mortgage Loan and payments on the Bond Mortgage Loan will be made by the Borrower to the Servicer for the benefit of the Trustee.

**THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE SERIES INDENTURE. NONE OF ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS (“ABAG”), THE MEMBERS 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 ITS MEMBERS 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 OR 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 HEREIN. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO PAY ANY PRINCIPAL OR 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.**

Brief descriptions of the Issuer, the Bonds, the security for the Bonds, the Borrower, the Project, the Series Indenture and the Financing Agreement are included in this Official Statement. All references herein to the Series Indenture, the Financing Agreement, the Intercreditor Agreement, the Credit Enhancement Agreement, the Regulatory Agreement, the Reimbursement Agreement, the Bond Mortgage, the Construction Phase Financing Agreement and other documents and agreements are qualified in their entirety by reference to such documents and agreements, copies of which are available for inspection at the offices of the Trustee.

#### **THE ISSUER**

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 SERIES INDENTURE. NONE OF ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS (“ABAG”), THE MEMBERS 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 ITS MEMBERS 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 OR 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 HEREIN. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO PAY ANY PRINCIPAL OR 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 “ABSENCE OF LITIGATION-The Issuer,” as such information applies to the Issuer.

## **THE BONDS**

### **General**

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

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

The 2009 Series A-3 Bonds shall be released in Authorized Denominations and shall bear interest at the Short-Term Rate from the Release Date to, but not including, the Permanent Rate Conversion Date

and thereafter at the Permanent Rate and shall mature, subject to redemption prior to maturity as described under the headings “Optional Redemption of Bonds” and “Mandatory Redemption of Bonds” below, on the date set forth on the inside front cover hereof.

The 2011 Series A Bonds shall be issued in Authorized Denominations and shall bear interest at the rate(s) per annum and shall mature, subject to redemption prior to maturity as described under the headings “Optional Redemption of Bonds” and “Mandatory Redemption of Bonds” below, on the date(s) set forth on the inside front cover hereof. Interest on the 2009 Series A-3 Bonds will be payable on the Permanent Rate Conversion Date (as defined herein) and semiannually thereafter on each March 1 and September 1, commencing March 1, 2012 and interest on the 2011 Series A Bonds will be payable March 1 and September 1 of each year, commencing March 1, 2012 (each an “Interest Payment Date”).

The Bonds shall be due and payable in full on the respective Maturity Dates.

Interest on the Bonds shall be computed on the basis of a 360-day year consisting of twelve 30-day months. 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 Person in whose name any Bond is registered on the Record Date with respect to an Interest Payment Date shall be entitled to receive the interest payable on such Interest Payment Date (unless such Bond has been called for redemption on a redemption date which is prior to such Interest Payment Date) notwithstanding the cancellation of such Bond upon any registration of transfer or exchange thereof subsequent to such Record Date and prior to such Interest Payment Date; provided, however, that if and to the extent the Issuer shall default in the payment of the interest due on any Interest Payment Date, such defaulted interest shall be paid as described in the next paragraph.

Any interest on any Bond that is due and payable, but is not punctually paid or duly provided for, on any Interest Payment Date (“Defaulted Interest”) shall cease to be payable to the person in whose name such Bond is registered on the relevant Record Date and shall be paid in the manner described in this paragraph. The Trustee may elect to make payment of any Defaulted Interest to the Persons in whose names the Bonds (or their respective predecessor Bonds) are registered at the close of business on a special record date for the payment of such Defaulted Interest (a “Special Record Date”), which shall be fixed in the following manner. The Trustee shall determine the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (a “Special Interest Payment Date”), shall fix a Special Record Date for the payment of such Defaulted Interest (which shall be not more than 15 nor less than 10 days prior to the Special Interest Payment Date) and shall cause notice the Special Record Date and of the proposed payment of such Defaulted Interest on the Special Interest Payment Date and the Special Record Date therefor to be mailed, first class, postage prepaid, to each Bondholder at such Bondholder’s address as it appears in the Bond Register not less than 10 days prior to such Special Record Date; notice of the proposed payment of such Defaulted Interest on the Special Interest Payment Date and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall

be paid to the Persons in whose names the Bonds (or their respective predecessor Bonds) are registered on such Special Record Date.

Payment of principal of, premium, if any, and interest on the Bonds shall be paid by check mailed on the Interest Payment Date to the registered Owner thereof at such registered Owner's address as it appears on the Bond Register on the Record Date. Upon written request of a registered Owner of at least \$1,000,000 in principal amount of Outstanding Bonds received by the Trustee at least 5 Business Days prior to a Record Date, all payments of principal, premium, if any, and interest on the Bonds, less any reasonable wire transfer fees imposed by the Trustee, shall be paid by wire transfer in immediately available funds to an account within the United States designated by such registered Owner. Within five Business Days of each payment by the Trustee of principal on the Bonds the Trustee will notify the Issuer via mutually acceptable electronic means, with receipt confirmed by sender of the aggregate principal amount of Bonds that remain Outstanding or that no Bonds remain Outstanding.

### **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.

### **Book-Entry-Only System**

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

With regard to Bonds registered in the name of Cede & Co., as nominee of DTC, the Issuer, the Borrower, and the Trustee will have no responsibility or obligation to any Direct Participant or to any Indirect Participant. Without limiting the preceding sentence, the Issuer, the Borrower and the Trustee will have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any Direct Participant or Indirect Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Direct Participant or Indirect Participant or any other person, other than Cede & Co., as nominee of DTC, of any notice with respect to the Bonds, including any notice of redemption, (iii) the payment to any Direct Participant or Indirect Participant or any person, other than Cede & Co., as nominee of DTC, of any amount with respect to principal of, premium, if any, or interest on, the Bonds or (iv) any consent given by Cede & Co., as nominee of DTC, as registered owner of the Bonds.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borrower believes to be reliable, but neither the Issuer nor the Borrower take responsibility for the accuracy thereof.

### **Optional Redemption of Bonds**

(i) The 2009 Series A-3 Bonds are subject to optional redemption in Authorized Denominations from payments made under the Credit Facility (subject to the limitations set forth in paragraph (iii) below) or with other Eligible Funds deposited with the Trustee, with the prior written consent of the Credit Facility Provider, in whole or in part, upon optional prepayments on the 2009 Series A-3 Bond Mortgage Loan in accordance with the prepayment restrictions set forth in the Bond Mortgage Note and the Financing Agreement on the first Business Day of any calendar month, at the redemption price of 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.

(ii) The 2011 Series A Bonds are subject to optional redemption prior to their stated maturity, in whole, on the first Business Day of any month on or after March 1, 2013, at the redemption price of 100% of the principal amount thereof plus accrued interest, if any, to the redemption date.

(iii) With respect to the 2009 Series A-3 Bonds, on any Interest Payment Date prior to and including September 1, 2015, in part, at the request of the Borrower with the written approval of the Credit Facility Provider, in amounts reflecting monies on deposit in the Principal Sinking Fund Account on the first day of the month preceding the month in which the Interest Payment Date occurs.

(iv) Optional redemption of Bonds at a premium may only be made if the Trustee shall have received Eligible Funds (not consisting of funds drawn under the Credit Facility) on or prior to the redemption date in an amount sufficient to pay the applicable redemption premium, if any.

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

(vi) While the Bonds are registered in the name of the Construction Lender as a result of a Special Purchase of the Bonds pursuant to the Series Indenture, the Bonds are subject to redemption in

whole or in part on any date, at the option of the Construction Lender, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium, from any money acceptable to the Construction Lender deposited with the Trustee.

### **Mandatory Redemption of Bonds**

The Bonds are subject to mandatory redemption in Authorized Denominations 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:

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

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

(iii) in whole the earlier of (a) the last Business Day which is not less than (5) days before the date of expiration of the Credit Facility or (b) on the first day of the 360<sup>th</sup> month following Conversion; or

(iv) in part, as described under this heading “Mandatory Sinking Fund Redemption of Bonds”; or

(v) with respect to the 2011 Series A Bonds, in whole at the written direction of the Credit Facility Provider on the Loan Conversion Date; or

(vi) with respect to the 2009 Series A-3 Bonds, in part, at the written direction of the Credit Facility Provider, in the event the Borrower elects to make a Loan Equalization Payment; or

(vii) in part, on the Interest Payment Date next following the completion of the construction of the Project, to the extent amounts remaining in the 2009 Series A-3 Project Account or the 2011 Series A Project Account of the Bond Mortgage Loan Fund are transferred to the Redemption Fund pursuant to the Series Indenture; or

(viii) in whole, upon receipt by the Trustee of a written direction by the Credit Facility Provider to redeem the Bonds pursuant to the Credit Facility as a result of the occurrence of a Borrower Default, a Construction Lender Default (provided that no substitute construction lender is substituted in the place and stead of the Construction Lender pursuant to the Construction Phase Financing Agreement) or a Direction to Draw; or

(ix) in whole, on or after the Forward Commitment Maturity Date at the direction of the Credit Facility Provider, if the Notice of Loan Conversion is not issued by the Servicer prior to the Forward Commitment Maturity Date; or

(x) 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 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.

### **Mandatory Sinking Fund Redemption of Bonds**

The 2009 Series A-3 Bonds are subject to mandatory sinking fund redemption on any March 1 or September 1, commencing March 1, 2016, in Authorized Denominations in an amount not greater than the amount on deposit in the Credit Facility Principal Reimbursement Account available therefor on the first day of the month immediately preceding such Interest Payment Date.

### **Selection of Bonds for Redemption**

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

Unless otherwise directed by the Borrower in writing (with the written consent of the Credit Facility Provider), any partial mandatory redemption pursuant to the heading "Mandatory Redemption of Bonds" above shall be effected first with respect to the 2011 Series A Bonds to the extent Outstanding under the Series Indenture and thereafter to the 2009 Series A-3 Bonds then Outstanding, unless otherwise directed by the Credit Facility Provider.

### **Notice of Redemption**

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

Notices of redemption will 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, will state (i) the numbers of the Bonds to be redeemed by giving the individual certificate number of each Bond to be redeemed or will state that all Bonds between two stated certificate numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption only if bonds cease to be book entry bonds; (ii) the CUSIP numbers of all Bonds being redeemed if available; (iii) the amount of each Bond being redeemed (in the case of a partial redemption); (iv) the date of issue of the Bond as originally issued; (v) the rate of interest borne by each Bond redeemed; (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, as provided in the Series Indenture, that Eligible Funds are available to pay any redemption premium or the redemption price, as and if applicable, on the Bonds; and (ix) any other descriptive information needed to identify accurately the Bonds being redeemed.

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

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

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

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

### **Effect of Notice of Redemption**

If a conditional notice of redemption has been provided pursuant to the terms of the Series Indenture 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 Series Indenture except to receive payment of the redemption price thereof.

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

Notwithstanding anything in the Series Indenture to the contrary but subject to the provisions of the Series Indenture described under the heading "Special Purchase in Lieu of Redemption" below, at any time 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 (for the account of the Borrower or the Credit Facility Provider or their respective designee, as directed by such party) on the date which would be the redemption date at the direction of the Credit Facility Provider or the Borrower, with the prior written consent of the Credit Facility Provider (which direction shall specify that such purchase is pursuant to the provisions of the

Indenture described under this heading and shall be given no later than 5:00 pm, Washington, D.C., time on the Business Day immediately prior to such redemption date), at a purchase price equal to the redemption price which would have been applicable to such Bonds on the redemption date. The Bonds shall be purchased in lieu of redemption only from amounts provided by the Credit Facility Provider or from other Eligible Funds. In the event the Trustee is so directed to purchase Bonds in lieu of redemption, no notice to the holders of the Bonds to be so purchased (other than the notice of redemption otherwise required under the Indenture) shall be required, and the Trustee shall be authorized to apply to such purpose the funds in the Redemption Fund which would have been used to pay the redemption price for such Bonds if such Bonds had been redeemed rather than purchased.

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

If all Bonds Outstanding are called for redemption in whole as described in paragraph (ii), (vii), or (ix) under the heading “Mandatory Redemption of Bonds” at any time during the Construction Phase, provided that a Construction Lender Default has not occurred or, at any time following the Trustee’s receipt of a Direction to Release, the Construction Phase Credit Facility is in effect, the Bonds may in lieu of such redemption, be purchased (“Special Purchased Bonds”) by the Trustee, at the written direction of the Construction Lender to the Trustee, for the account of the Construction Lender, so long as the Credit Facility Provider has received, from amounts on deposit in the Freddie Mac Collateral Fund and the Project Account of the Bond Mortgage Loan Fund, an amount equal to the Construction Phase Collateral Requirement or, if applicable, the Construction Lender has fully and timely honored, and has paid the Credit Facility Provider the full amount drawn by the Credit Facility Provider under, the Construction Phase Credit Facility. Any purchase of Bonds described under this heading shall be in whole and not in part. Such purchase shall be made on the date the Bonds are otherwise scheduled to be redeemed (the “Special Purchase Date”). The purchase price of the Special Purchased Bonds (the “Special Purchase Price”) shall be equal to the principal amount of the Special Purchased Bonds, plus accrued interest, if any, on the Special Purchased Bonds to the Special Purchase Date. The payment source shall consist solely of funds to be advanced by the Credit Facility Provider under the Credit Facility.

Bonds to be purchased as described under this heading which are not delivered to the Trustee on the Special Purchase Date shall be deemed to have been so purchased and not redeemed on the Special Purchase Date and shall cease to accrue interest as to the former owner on the Special Purchase Date. Special Purchased Bonds shall be registered in the name of the Construction Lender or any subsidiary of the Construction Lender designated by the Construction Lender and shall be delivered to the Construction Lender or the subsidiary of the Construction Lender designated by the Construction Lender. Following such purchase, the registered owner of the Special Purchased Bonds shall be the owner of such Bonds for all purposes under the Series Indenture and interest accruing on such Bonds from and after the Special Purchase Date shall be payable solely to the registered owner of the Special Purchased Bonds.

Notice of the election by the Construction Lender to purchase Bonds otherwise called for redemption shall be delivered in writing to the Trustee, the Credit Facility Provider, the Servicer and the Rating Agency not less than one (1) Business Day prior to the date otherwise scheduled for redemption of the Bonds. In the event the Trustee is so directed to purchase Bonds in lieu of redemption, no notice to the holders of the Bonds to be so purchased (other than the notice of redemption otherwise required under the Series Indenture) shall be required, and the Trustee shall be authorized to apply to such purpose the funds in the Redemption Account which would have been used to pay the redemption price for such Bonds if such Bonds had been redeemed rather than purchased.

The Trustee shall proceed to take such action as is required under the Credit Facility to receive payments from the Credit Facility Provider under the Credit Facility as if the Special Purchased Bonds

were to be redeemed pursuant to the Series Indenture in order to pay the Special Purchase Price of the Bonds on the Special Purchase Date.

The purchase of Bonds pursuant to the Series Indenture shall not constitute a merger or extinguishment of the indebtedness of the Issuer evidenced by the Bonds so purchased or of the indebtedness of the Borrower under the Bond Mortgage Loan; Special Purchased Bonds shall for all purposes be regarded as Outstanding under the Series Indenture, except as otherwise expressly provided in the Series Indenture.

Following any purchase of Bonds pursuant to the first and fourth paragraphs under this heading, in no event shall the Credit Facility (or any funds advanced under the Credit Facility) directly or indirectly secure, or provide a source of payment of amounts due from time to time with respect to, the Special Purchased Bonds. From and after the Special Purchase Date and until the Credit Facility Provider has received funds in an amount equal to the Construction Phase Collateral Requirement or, if applicable, the Construction Lender honors a draw upon the Construction Phase Credit Facility in order to accomplish a purchase of Bonds pursuant to the Series Indenture, the Credit Facility Provider shall continue to be entitled to all rights, privileges, benefits and security granted to the Credit Facility Provider under the Bond Financing Documents and the Bond Mortgage Loan Documents. In no event shall Freddie Mac be deemed to be the owner of any Special Purchased Bond whether pursuant to the Series Indenture or otherwise unless such Bond is transferred to, and registered in the name of, Freddie Mac in accordance with the provisions of the Series Indenture and only at the written direction of Freddie Mac.

Special Purchased Bonds may be transferred to any subsidiary of the Construction Lender, or to a single Bondholder which has provided the Trustee with an investment letter in the form attached to the Series Indenture (and otherwise subject to the provisions of the Series Indenture), provided that any transfer to a single Bondholder as described above shall require delivery of an opinion of Bond Counsel to the Trustee to the effect that such transfer will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

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

### **General**

Under the Series Indenture, the Issuer assigns to the Trustee and grants a security interest in the following property described below under “Trust Estate” to secure the Bonds (said property being herein referred to as the “Trust Estate”). The Trust Estate is granted to the Trustee in order to secure the payment of principal of, premium, if any, and interest on the Bonds according to their tenor and effect, and the payment to Freddie Mac of the Freddie Mac Reimbursement Amount and the Freddie Mac Credit Enhancement Fee or the payment of amounts due and owing to any other Credit Facility Provider following termination of the Credit Facility Agreement, and the performance and observance by the Issuer of all the covenants expressed or implied in the Series Indenture and in the Bonds:

- (a) all right, title and interest of the Issuer in and to all Revenues;
- (b) all right, title and interest of the Issuer in and to the Financing Agreement, the Bond Mortgage Note, the Bond Mortgage and the Credit Facility (other than the Unassigned Rights), including all extensions and renewals of the terms thereof, if any, including, but without limiting the generality of the foregoing, the present and continuing right to receive, receipt for, collect or make claim for any of the moneys, income, revenues, issues, profits and other amounts payable or receivable thereunder (including all casualty insurance benefits or condemnation awards subject to the interest of the Credit Facility Provider under the Reimbursement Agreement and the Intercreditor Agreement), whether payable under

the above-referenced documents or otherwise, to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Issuer or any other Person is or may become entitled to do under said documents; and

(c) except for funds, money or securities in the Cost of Issuance Fund, the Administration Fund, the Freddie Mac Collateral Fund, the Credit Facility Reimbursement 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 thereafter by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Series Indenture for the Bonds by the Issuer or by anyone on its behalf or with its written consent to the Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Series Indenture.

### **Limited Obligations**

**THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES PURSUANT TO THE SERIES INDENTURE. NONE OF ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS (“ABAG”), THE MEMBERS 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 ITS MEMBERS 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 OR 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 HEREIN. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO PAY ANY PRINCIPAL OR 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 Credit Enhancement Agreement**

To provide security for the Bonds it is expected that Freddie Mac will enter into a direct-pay Credit Enhancement Agreement with the Trustee. See “FREDDIE MAC” and Appendix G hereto. Pursuant to the Credit Enhancement Agreement, subject to certain requirements set forth therein, Freddie Mac will be required to pay Guaranteed Payments with respect to the Bond Mortgage Loan when and in the amounts due, and the Purchase Price of the Bonds in the event of a purchase in lieu of redemption in accordance with the terms of the Series Indenture and Credit Enhancement Agreement.

### **FREDDIE MAC**

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

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

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

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

Freddie Mac registered its common stock with the U.S. Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934 (the “Exchange Act”), effective July 18, 2008.

As a result, Freddie Mac files annual, quarterly and current reports, proxy statements and other information with the SEC. Prior to July 18, 2008, Freddie Mac prepared an annual Information Statement (containing annual financial disclosures and audited consolidated financial statements) and Information Statement Supplements (containing periodic updates to the annual Information Statement).

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

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

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

FREDDIE MAC’S OBLIGATIONS WITH RESPECT TO THE BONDS ARE SOLELY AS PROVIDED IN THE CREDIT ENHANCEMENT AGREEMENT. THE OBLIGATIONS OF FREDDIE MAC UNDER THE CREDIT ENHANCEMENT AGREEMENT WILL BE OBLIGATIONS SOLELY OF FREDDIE MAC, A SHAREHOLDER-OWNED, GOVERNMENT-SPONSORED ENTERPRISE ORGANIZED UNDER THE LAWS OF THE UNITED STATES OF AMERICA. FREDDIE MAC HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE BONDS, BUT WILL BE OBLIGATED, PURSUANT TO THE CREDIT ENHANCEMENT AGREEMENT, TO PROVIDE FUNDS TO THE TRUSTEE TO PAY THE PURCHASE PRICE OF THE BONDS UNDER THE CIRCUMSTANCES DESCRIBED 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.

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## ESTIMATED SOURCES AND USES OF FUNDS

The total permanent project costs of the Project are estimated by the Borrower to be \$13,563,169, not including interim sources or uses of funds. The sources and uses of funds for the Project are projected to be approximately as follows:

<b>Sources of Funds</b>	
Bond Proceeds	\$3,220,000
Subordinate Loan from the City of Elk Grove	5,600,000
Tax Credit Equity	4,493,216
Deferred Developer Fee	137,521
Freddie Mac refund (deposit and 200 day interest reserve)	112,432
<b>Total</b>	<u>\$13,563,169</u>
<b>Uses of Funds</b>	
Land	\$1,250,000
Hard Construction Costs	6,919,208
Soft Construction Costs/Financing Costs	4,920,912
Bond Costs of Issuance	473,049
<b>Total</b>	<u>\$13,563,169</u>

### Additional Sources of Financing

In addition to the proceeds of the Bonds, the Project will be financed with tax credit equity and the proceeds of a subordinate loan from the City of Elk Grove (the “Elk Grove Loan”), which will pay for the costs of issuance and a portion of several other costs of the Project. The tax credit equity is expected to be approximately \$4,493,216 (the “Tax Credit Equity”) and the proceeds of the Elk Grove Loan are expected to be \$5,600,000.

## THE BORROWER AND THE PROJECT

*The information under this heading has been provided solely by the Borrower and has not been independently verified. No representation whatsoever as to the accuracy, adequacy or completeness of such information is being made.*

### The Project

The Project to be known as Vintage at Laguna II, will be located on an approximately 2.3-acre site at 9204 Big Horn Blvd, in the City of Elk Grove, CA. Construction of the Project is expected to commence not later than September 2011 and be completed not later than November 2012. The Project will contain 69 units (including one management unit) located in one building.

The Project amenities are expected to include a community center with a lobby, leasing office, great room, covered patio, fitness center and public restrooms. The central courtyard will include decorative pathways, outdoor seating areas with picnic area. Laundry facilities and trash chutes will be provided on each floor for the convenience of the residents. The Project is expected to include 75 open parking spaces.

Unit amenities are expected to include pantry cabinets, dishwashers, self cleaning range/oven, exterior venting hood fan, refrigerator/freezer, garbage disposal, hydronic central heating and air conditioning, ceiling fans, wall to wall low VOC carpeting, vertical blinds and private patio or balcony.

The unit mix of the Project is expected to be as follows with one two bedroom unrestricted unit being the manager’s unit:

<b>Number Of Units</b>	<b>Composition</b>	<b>Approximate Square Footage</b>
45	1 Bedroom – 1 Bath	593
24	2 Bedroom – 1 Bath	750
Manager	2 Bedroom – 1 Bath	750

### **Regulatory Agreements**

**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 40% of the units for rental to persons or families having incomes at or below 60% of area media gross income, adjusted for family size and determined in accordance with the Section 142(d) of the Code. See “SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT” for a description of the requirements affecting the operation of the Project in order to assume compliance with the Code. The Regulatory Agreement further provides that in renting of units, preference will be given to the general senior population (pursuant to California Civil Code Section 51.3).

**LIHTC Land Use Restriction Agreement.** In addition, in connection with the low income housing tax credits being allocated to the Borrower in connection with the Project, the Borrower will execute another Land Use Restriction Agreement (the “LIHTC Land Use Restriction Agreement”) in accordance with Section 42 of the Code. The LIHTC Land Use Restriction Agreement will, among other things, require that the Borrower lease 100% of the units (minus one manager’s unit) in the Project to tenants earning 60% or less of the area median gross income with 10% of these units to tenants earning 30% or less of the area median income, 10% of the units to tenants earning 45% or less of the area median income, 30% of the units to tenants earning 50% or less of the area median income, with the rents on these units being limited to 30% of an amount equal to 30%, 45%, 50%, or 60%, respectively, of area median income, adjusted for family size, all in accordance with Section 42 of the Code.

**CDLAC Resolution.** Pursuant to the CDLAC Resolution awarding private activity bond volume to the Project, the following operating requirements, among others will apply:

- i. At least 35 units must be rented or held vacant for rental for persons or families whose income is at 50% or below of the Area Median Income.
- ii. At least 33 units must be rented or held vacant for rental for persons or families whose income is at 60% or below of the Area Median Income.
- iii. For a period of ten (10) years after the Project is placed in service, the Project will offer to Project residents educational classes on-site or there must be educational classes available to Project residents within 1/4 mile of the Project.
- iv. The project commits to becoming certified under any one of the following programs upon completion: Leadership in Energy & Environmental Design (LEED); Green Communities; or the GreenPoint Rated Multifamily Guidelines.

**The City of Elk Grove Regulatory Agreement.** As described above, the City of Elk Grove will make a subordinate loan to the Project in the amount of \$5,600,000. In connection with the loan, the Borrower has entered into a Regulatory Agreement and Declaration of Restrictive Covenants imposing the following operating restrictions:

For twenty-three (23) of the units in the Project (the “Regulated Units”), the monthly charge paid by tenants for occupancy and use of the units shall not exceed the product of thirty percent (30%) times fifty percent (50%) of the Area Median Income, adjusted for family size appropriate for the unit. For forty-five (45) of the units, the monthly charge paid by tenants for occupancy and use of the units shall not exceed the product of thirty percent (30%) times sixty percent (60%) of the Area Median Income, adjusted for family size appropriate for the unit. The City of Elk Grove Regulatory Agreement will not be subordinate to any Deed of Trust.

In calculating the allowable rent for the Regulated Units as set forth above, the following assumed household size shall be utilized:

<b>Number of Bedrooms</b>	<b>Assumed Household Size</b>
One	1.5
Two	3

**The Borrower**

The Borrower is Laguna Seniors II, L.P., a California limited partnership, formed for the sole purpose of acquiring, building and operating the Project. The co- general partner of the Borrower is USA Laguna Seniors II, Inc. a California corporation (the “Co- General Partner”) owning a .007% ownership interest in the Borrower. The co-managing general partner of the Borrower is Riverside Charitable Corporation, a California nonprofit public benefit corporation (the “Co-Managing General Partner”) owning a .001% ownership interest in the Borrower. The Managing General Partner of the Borrower is Life Skills Training and Educational Programs, Inc., a California nonprofit public benefit corporation (the “Managing General Partner”).

The Parent of the Administrative General Partner has been in the business of acquiring, owning and operating apartment complexes since 1981, and currently owns (or owns partnership interests in entities who own) and operates 85 apartment complexes containing approximately 10,972 units in the State of California, Nevada and Tennessee. The Co- Managing General Partner has been in the business of acquiring, owning and operating apartment complexes since 1988, and currently owns (or owns partnership interests in entities who own) 65 apartment complexes containing approximately 8,460 units in the State of California.

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

## **Low Income Housing Tax Credits**

Simultaneously with the issuance of the Bonds, the Borrower expects to admit RBC Tax Credit Equity, LLC, an Illinois limited liability company and RBC Tax Credit Manager II, Inc., a Delaware corporation and such other Persons as are admitted to the Partnership as additional or Substitute Limited Partners pursuant to the Limited Partnership Agreement (the “Tax Credit Partner”) as collectively 99.991% limited partners in the Borrower. Pursuant to the sale, the funding of the tax credit equity is expected to total approximately \$4,493,216, with an initial contribution of \$449,321 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 USA Construction Management, Inc., a California corporation (the “Contractor”). The Contractor and its affiliated construction companies have been constructing and rehabilitating multifamily rental housing developments since 1981.

## **The Architect**

The architect for the Development is Kuchman Architects PC (the “Architect”). The Architect has been the principal architect for over 35 multifamily developments with an excess of 8,000 units throughout the United States.

## **Property Management**

The Project will be managed by USA Multifamily Management, Inc., a California corporation (the “Manager”). The Manager has been involved in the management of apartment complexes since 1993. The Manager currently manages 70 apartment complexes comprising a total of approximately 10,046 units located in the State of California.

## **Limited Recourse to Borrower**

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

## **THE TRUSTEE**

*The information under this heading has been provided solely by the Trustee and has not been independently verified. No representation whatsoever as to the accuracy, adequacy or completeness of such information is being made.*

Wells Fargo Bank, National Association will act as Trustee pursuant to the Indenture. The obligations of the Trustee are described in the Indenture. The Trustee has undertaken only those duties

and obligations that are expressly set forth in the Indenture. The Trustee has not independently passed upon the validity of the Bonds, the security of the payment therefor, the value or condition of any assets pledged to the payment thereof, the adequacy of the provisions for such payment, the status for federal or state income tax purposes of the interest on the Bonds, or the investment quality of the Bonds. Except for the contents in this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and has assumed no responsibility for the nature, content, accuracy or completeness of the information included in this Official Statement.

### **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.*

#### **Conditions to Release of the 2009 Series A-3 Bonds**

The modification and exchange of the 2009 Series A-3 Bonds and the release of proceeds thereof to make the Bond Mortgage Loan is subject to certain terms and conditions of the Program being satisfied on or before the Release Date, including but not limited to delivery of the Freddie Mac Credit Enhancement Agreement and the issuance and delivery of the 2011 Series A Bonds. If those terms and conditions of the Program are not satisfied on or before the Release Date, the 2009 Series A-3 Bonds will not be released as contemplated by this Official Statement and the Release Date will not occur on the Delivery Date.

#### **No Borrower Personal Liability**

The Borrower has not been nor will it be (subject to certain limited exceptions to non-recourse liability set forth in the Financing Agreement and the Bond Mortgage) personally liable for payments on the Bond Mortgage Loan, nor under the other Bond Financing Documents. All payments on the Bond Mortgage Loan are expected to be derived from revenues generated by the Project.

#### **Limited Obligations**

The Bonds are not a general obligation, debt or bonded indebtedness of the Issuer, the State or any political subdivision thereof and the holder thereof does not have the right to have excises or taxes levied by the Issuer or by the State or any political subdivision thereof for the payment of the principal of and any premium and interest on the Bonds. The Bonds are limited obligations of the Issuer, and are payable solely from the sources provided in the Series Indenture. The Issuer has no taxing power.

#### **Early Redemption or Mandatory Purchase**

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 or mandatory purchase at a redemption or purchase price equal to their principal amount plus accrued interest as described herein. This could occur, for example, in the event that the Bond Mortgage Loan is prepaid as a result of a casualty or condemnation award payments affecting the Project or there is a default under the Bond Mortgage or the Reimbursement Agreement. See "THE BONDS – Mandatory Redemption of the Bonds," "– Mandatory Sinking Fund Redemption of the Bonds," "– Optional Redemption of Bonds," and Exhibit F – "Summary of Certain Provisions of the Reimbursement Agreement."

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

One condition to the Delivery Date is that the Borrower will covenant and agree to comply with the provisions of the Code relating to the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds. The financing documents contain provisions and procedures designed to assure compliance with such covenant. However, the Borrower's covenant to comply with the requirements of the Code is non-recourse to the Borrower, and the Borrower's liability is limited to the revenues and assets comprising the Project. Furthermore, the Borrower's failure to comply with such provisions will not constitute a default under the Bond Mortgage Loan and will not give rise to a redemption or acceleration of the Bonds (unless Freddie Mac determines, at its option and in its sole and absolute discretion, that such failure will constitute such a default) and is not the basis for an increase in the rate of interest payable on the Bonds. **Consequently, interest on the 2009 Series A-3 Bonds and the 2011 Series A Bonds following the Delivery Date may become includable in gross income for purposes of federal income taxation retroactive to the Delivery Date by reason of the Borrower's failure to comply with the requirements of federal tax law, and neither the Issuer, the Trustee nor the Bondholders will have remedies available to them to mitigate the adverse economic effects to the Bondholders of such inclusion by reason of the Borrower's non-compliance.**

## **Economic Feasibility**

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

## **Enforceability and Bankruptcy**

The remedies available to the Trustee and the Bondholders 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.

## TAX MATTERS

### 2009 Series A-3 Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, 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 2009 Series A-3 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 status of interest on any 2009 Series A-3 Bond for any period that such 2009 Series A-3 Bond is held by a “substantial user” of the facilities financed or refinanced by the 2009 Series A-3 Bonds or by a “related person” within the meaning of Section 147(a) of the Code. In the further opinion of Bond Counsel, interest on the 2009 Series A-3 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 2009 Series A-3 Bonds is exempt from State of California personal income taxes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix H-1 hereto.

2009 Series A-3 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

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 2009 Series A-3 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 2009 Series A-3 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 2009 Series A-3 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2009 Series A-3 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 2009 Series A-3 Bonds may adversely affect the value of, or the tax status of interest on, the 2009 Series A-3 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2009 Series A-3 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2009 Series A-3 Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or 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 2009 Series A-3 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 2009 Series A-3 Bonds. Prospective purchasers of the 2009 Series A-3 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 2009 Series A-3 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Pursuant to the design of and the accompanying commentary about the New Issue Bond Program by the United States Treasury, Bond Counsel has assumed that the 2009 Series A-3 Bonds are treated as reissued for federal income tax purposes on the Release Date. 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 2009 Series A-3 Bonds ends with the issuance of the 2009 Series A-3 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer, the Borrower or the Beneficial Owners regarding the tax-exempt status of the 2009 Series A-3 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 disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the 2009 Series A-3 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 2009 Series A-3 Bonds, and may cause the Issuer, the Borrower or the Beneficial Owners to incur significant expense.

## **2011 Series A Bonds**

In the opinion of Orrick, Herrington & Sutcliffe LLP, 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 2011 Series A 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 status of interest on any 2011 Series A Bond for any period that such 2011 Series A Bond is held by a "substantial user" of the facilities financed or refinanced by the 2011 Series A Bonds or by a "related person" within the meaning of Section 147(a) of the Code. In the further opinion of Bond Counsel, interest on the 2011 Series A 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 2011 Series A Bonds is exempt from State of California personal income taxes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix H-2 hereto.

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 2011 Series A 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 2011 Series A 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 2011 Series A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2011 Series A 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 2011 Series A Bonds may adversely affect the value of, or the tax status of interest on, the 2011 Series A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2011 Series A Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2011 Series A Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or 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 2011 Series A 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 2011 Series A Bonds. Prospective purchasers of the 2011 Series A 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 2011 Series A 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 2011 Series A Bonds ends with the issuance of the 2011 Series A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer, the Borrower or the Beneficial Owners regarding the tax-exempt status of the 2011 Series A 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 disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the 2011 Series A 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 2011 Series A Bonds, and may cause the Issuer, the Borrower or the Beneficial Owners to incur significant expense.

The opinions of Bond Counsel will be delivered contemporaneously with the delivery of the Bonds substantially in the forms attached hereto as APPENDIX H-1 and H-2.

## **CERTAIN PENDING LEGISLATION**

On September 12, 2011, the Obama Administration announced a legislative proposal entitled the American Jobs Act of 2011. For tax years beginning on or after January 1, 2013, the American Jobs Act of 2011, if enacted, would limit the tax benefit of the tax exemption (along with several other listed tax benefits) to the 28% tax bracket. The American Jobs Act of 2011 or other legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state 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 legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

## **CONTINUING DISCLOSURE**

The Borrower has undertaken all responsibilities for any continuing disclosure to owners of the Bonds as described below, and the Issuer shall have no liability to the owners or any other person with respect to such disclosures.

The Borrower has covenanted for the benefit of owners and Beneficial Owners of the Bonds to provide its audited financial statements and certain financial information and operating data relating to the Borrower by not later than one hundred eighty (180) days after the end of each fiscal year (which fiscal year currently ends on December 31), commencing with the report for the fiscal year ending June 1, 2011 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report and all notices of enumerated events are required to be filed by the Borrower with the Municipal Securities Rulemaking Board (the "Repository"). The specific nature of the information to be contained in the Annual Report and the notices of enumerated events is described in APPENDIX I – CONTINUING DISCLOSURE AGREEMENT. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

The Borrower has not previously been subject to the continuing disclosure requirements of Rule 15c2-12.

## **UNDERWRITING**

The 2011 Series A Bonds are being purchased by Citigroup Global Markets Inc. (the "Underwriter") for a price of 100% of the principal amount thereof. As consideration for its underwriting of the 2011 Series A Bonds, the Underwriter will be paid an aggregate fee equal to 0.75% of the aggregate principal amount of the 2011 Series A Bonds, from which the Underwriter will pay certain expenses.

The Underwriter has committed to purchase all of the 2011 Series A Bonds if any of such 2011 Series A Bonds are purchased and to use their best efforts to sell the 2011 Series A Bonds. The 2011 Series A Bonds are being offered for sale at the price set forth on the cover page of this Official Statement, which price may be lowered by the Underwriter from time to time without notice. The 2011 Series A Bonds may be offered and sold to dealers, including the Underwriter and dealers acquiring 2011 Series A Bonds for their own account or any account managed by them, at prices lower than the public offering prices.

The Borrower has agreed, pursuant to the Bond Purchase Agreement, to indemnify the Underwriter and the Issuer against certain liabilities relating to this Official Statement.

Citigroup Inc., parent company of Citigroup Global Markets Inc., the underwriter of the 2011 Series A Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2011 Series A Bonds.

Citibank, N.A., an affiliate of the Underwriter, is serving as Construction Lender with respect to the Construction Loan being made on the Project and as Loan Servicer with respect to the Permanent Loan for the Project and is being separately compensated.

## **RATING**

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business (the "Rating Agency") has assigned the ratings to the Bonds as shown on the cover page of this Official Statement. Any desired explanation of the significance of the ratings should be obtained from the Rating Agency. Certain information and materials not included in this Official Statement were furnished to the Rating Agency. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies, and assumptions by the Rating Agency. The ratings are not a recommendation to buy, sell, or hold the Bonds. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing the rating, circumstances so warrant. The Issuer has not undertaken responsibility either to bring to the attention of the registered owner of the Bonds any proposed revision or withdrawal of the ratings of the Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such a rating could have an adverse affect on the market price of the Bonds if a registered Borrower attempts to sell the same.

## **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 the Federal Home Loan Bank of San Francisco and 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 the Federal Home Loan Bank of San Francisco and 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 the Federal Home Loan Bank of San Francisco and 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 execution and delivery of the Series Indenture and the Financing Agreement are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, as Bond Counsel, which will be furnished at the expense of the Borrower (the “Bond Counsel Opinion”).

Certain legal matters will be passed upon for Freddie Mac by its Legal Division and by its special counsel, Kutak Rock LLP, Omaha, Nebraska, for the Borrower by its counsel, Bocarsly Emden Cowan Esmail & Arndt LLP, Los Angeles, California, for the Issuer by Chapman and Cutler LLP, San Francisco, California and for the Issuer with respect to the Bonds and to the Underwriter with respect to the 2011 Series A Bonds, by Eichner & Norris PLLC, Washington, D.C., Disclosure Counsel to the Issuer with respect to the Bonds and counsel to the Underwriter with respect to the 2011 Series A Bonds.

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.

### **ABSENCE OF LITIGATION**

#### **The Issuer**

On the date of issuance of the Bonds, the Issuer will deliver certificates to the effect that, to the knowledge of the Issuer, no litigation is pending or threatened against the Issuer (i) to restrain or enjoin the issuance of the Bonds, or contesting or questioning the validity of the Bonds or the proceedings and authority under which the Bonds have been authorized and are to be issued, or the pledge or application of any money or security provided for the payment of the Bonds or (ii) which questions the validity of the Series Indenture, the Financing Agreement, the Regulatory Agreement or the Bonds.

#### **The Borrower**

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

## **ENFORCEABILITY OF REMEDIES**

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

## **MISCELLANEOUS**

Any statements herein involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or owners of any of the Bonds. The Issuer makes no representations as to the accuracy or completeness of the contents of this Official Statement except with respect to the information under the sections “THE ISSUER” and “ABSENCE OF LITIGATION –The Issuer”.

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The Issuer has authorized the execution of this Official Statement. This Official Statement has been approved by the Borrower for distribution to current Bondholders and potential purchasers of the Bonds.

**ABAG FINANCE AUTHORITY FOR NONPROFIT  
CORPORATIONS**

By: /s/ Clarke J. Howatt  
Authorized Officer

[Signatures continue on next page]

[Borrower Signature Page to the Official Statement]

**LAGUNA SENIORS II, L.P.**, a California limited partnership

By: USA Laguna Seniors II, Inc., a California corporation  
Its: Administrative General Partner

By: /s/ Geoffrey C. Brown

Name: Geoffrey C. Brown

Title: President

By: Riverside Charitable Corporation, a California  
nonprofit public benefit corporation  
Its: Co-Managing General Partner

By: /s/ Kenneth S. Robertson

Name: Kenneth S. Robertson

Title: President

By: Life Skills Training and Educational Programs, Inc.,  
A California nonprofit public benefit corporation  
Its: Managing General Partner

By: /s/ Craig Gillett

Name: Craig Gillett

Title: President

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## 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 will have the meanings assigned to such terms in the Original Indenture, First Series 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.

“Actual Bond Mortgage Loan Amount” means the amount of the Bond Mortgage Loan that shall be outstanding on the Loan Conversion Date as determined by Freddie Mac in accordance with the Construction Phase Financing Agreement.

“Administration Fund” means the Administration Fund established by the Trustee pursuant to the Series Indenture.

“Authorized Denomination” means \$5,000 and integral multiples thereof and, for purposes of the release and redemption of the 2009 Series A-3 Bonds, \$10,000 or any integral multiple of \$10,000 in excess thereof.

“Authorized Officer” means (a) when used with respect to the Issuer, the President, Chief Financial Officer and Secretary of the Issuer and any other person as may be designated and authorized to sign for the Issuer pursuant to a resolution adopted thereby 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 Credit Facility Provider, any Person who is authorized in writing to take the action in question on behalf of the Credit Facility Provider and (f) prior to Loan Conversion, when used with respect to the Construction Lender, any person who is authorized in writing to take the action in question on behalf of the Construction Lender.

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

“Bond Counsel” means (i) on the Delivery Date, the law firm or law firms delivering the approving opinion(s) with respect to the Bonds, or (ii) any other firm of attorneys selected by the Issuer that is experienced in matters relating to the issuance of obligations by states and their political subdivisions that is listed as municipal bond attorneys in The Bond Buyer’s Municipal Marketplace and is acceptable to the 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 Custodian and the Rebate Analyst, if any, expressed as a flat, fixed amount or in terms of a percentage of the principal amount of Outstanding Bonds (including Purchased Bonds) on an annual basis.

“Bond Financing Documents” means, collectively, the Indenture, the Bonds, the Financing Agreement, the Tax Certificate, the Tax Regulatory Agreement, 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 Series 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 Series Indenture, together with all riders and addenda thereto, granting a first priority mortgage and security interest in the Project to the Trustee to secure the repayment of the Bond Mortgage Loan which Bond Mortgage has been assigned by the Trustee to Freddie Mac, as its interest may appear under the terms and conditions of the Intercreditor Agreement, as the same may be amended, supplemented or restated.

“Bond Mortgage Loan” means, together, the 2009 Series A-3 Bond Mortgage Loan and the 2011 Series A Bond Mortgage Loan in the aggregate principal amount of \$7,250,000 made to the Borrower 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 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 Series Indenture.

“Bond Mortgage Note” means the Bond Mortgage Note dated the Delivery Date from the Borrower, including all riders and addenda thereto, evidencing the Borrower’s obligation to repay the Bond Mortgage Loan, as the same may be amended, supplemented or restated from time to time, which Bond Mortgage Note will be delivered to the Issuer and endorsed by the Issuer to the Trustee and Freddie Mac, as their interests may appear under the terms and conditions of the Intercreditor Agreement.

“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 Series Indenture.

“Bond Resolution” means the resolution adopted by the Issuer authorizing the modification, exchange and release of the 2009 Series A-3 Bonds and the issuance of the 2011 Series A 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” or “Bond” means, collectively, the 2009 Series A-3 Bonds and the 2011 Series A Bonds.

“Borrower” means Laguna Seniors II, L.P., 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 Default” has the meaning given to that term in the Construction Phase Financing Agreement.

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

“Borrower Equity Deposit” means the deposit to be made by the Borrower with the Trustee on the Delivery Date for deposit in the Borrower Equity Account, which shall be comprised of sources other than the proceeds of the Bonds.

“Business Day” means (1) any day other than (a) a Saturday, (b) a Sunday, (c) a day on which the Federal Reserve Bank of New York (or other agent acting as the Credit Facility Provider’s fiscal agent identified to the Trustee) is authorized or obligated by law or executive order to remain closed, (d) a day on which the Principal Office of the Credit Facility Provider or the Construction Lender is closed, or (2) 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 Credit Facility Provider or the Construction Lender 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 will be read and construed as a single instrument.

“Code” means the Internal Revenue Code of 1986 and the regulations promulgated thereunder.

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

“Conditions to Loan Conversion” means the conditions set forth in Exhibit B to the Construction Phase Financing Agreement.

“Construction Lender” means Citibank, N.A., a national banking association, organized and operating under the laws of the United States of America as provider of the Construction Loan, or the Construction Phase Credit Facility, as applicable, and its permitted successors and assigns.

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

“Construction Loan” means (i) the conventional construction loan made by the Construction Lender to the Borrower, the proceeds of which shall be advanced, as necessary, and deposited into the Freddie Mac Collateral Fund for the benefit of Freddie Mac to assure that, at all times during the Construction Phase, the sum of (a) amounts deposited and held in the Project Accounts of the Bond Mortgage Loan Fund plus (b) amounts deposited and held in the Freddie Mac Collateral Fund (disregarding any investment earnings thereon), is equal to an amount not less than the Construction Phase Collateral Requirement, advanced for deposit with the Trustee to reimburse Freddie Mac for draws under the Credit Facility and advanced to pay Costs of the Project in accordance with the terms of the Series Indenture, the Construction Loan Agreement and the Construction Phase Financing Agreement, the delivery by the Construction Lender of the Construction Phase Credit Facility to Freddie Mac or any replacement construction loan or other credit arrangement acceptable to the Credit Facility Provider.

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

“Construction Loan Agreement” means the Construction Loan Agreement between the Borrower and the Construction Lender, as such agreement may be amended, modified, supplemented or restated from time to time.

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

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

“Construction Phase Collateral Requirement” means the amount set forth in the Series Indenture.

“Construction Phase Collateral Shortfall” means any time prior to the Trustee’s receipt of a Direction to Release, the sum of (A) amounts deposited and held in the Project Accounts of the Bond Mortgage Loan Fund plus (B) amounts deposited and held in the Freddie Mac Collateral Fund (disregarding any investment earnings thereon), is less than the Construction Phase Collateral Requirement.

“Construction Phase Credit Facility” means the clean, unconditional and irrevocable standby letter of credit delivered to, and for the sole benefit of, Freddie Mac by the Construction Phase Credit Facility Provider in accordance with the terms of the Construction Phase Financing Agreement, together with any permitted amendments thereto or supplements thereof.

“Construction Phase Financing Agreement” means the Construction Phase Financing Agreement dated as of September 1, 2011, by and among Freddie Mac, the Construction Lender and the Servicer, as such agreement may be amended, modified, supplemented or restated from time to time.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement between the Borrower and the Dissemination Agent, as such Continuing Disclosure Agreement may from time to time be amended or supplemented.

“Cost,” “Costs” or “Costs of the Project” means “Good Costs” as defined in the Tax Certificate.

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

“Costs of Issuance” means (i) the fees (excluding ongoing fees), costs and expenses of (a) the Issuer, the Issuer’s counsel and the Issuer’s financial advisor, (b) Bond Counsel, (c) the Trustee and the Trustee’s counsel, (d) the Servicer and the Servicer’s counsel, if any, (e) the Credit Facility Provider and the Credit Facility Provider’s counsel, (f) the Borrower’s counsel attributable to the release of the 2009 Series A-3 Bonds and the issuance of the 2011 Series A Bonds and the Borrower’s financial advisor, if any, (g) the Construction Lender and the Construction Lender’s counsel and (h) the Rating Agency, (ii) costs of printing the offering documents relating to the release of the 2009 Series A-3 Bonds and the issuance and sale of the 2011 Series A Bonds and (iii) all other fees, costs and expenses directly associated with the authorization, modification, release, issuance, sale and/or delivery of the Bonds, as applicable, 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 be comprised of sources other than the proceeds of the Bonds.

“Credit Enhancement Agreement” means the Credit Enhancement Agreement dated as of September 1, 2011 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.

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

“Credit Facility Interest Reimbursement Account” means the Credit Facility Interest Reimbursement Account of the Credit Facility Reimbursement Fund established by the Trustee, for the benefit of Freddie Mac, pursuant to the Series Indenture.

“Credit Facility Principal Reimbursement Account” means the Credit Facility Principal Reimbursement Account of the Credit Facility Reimbursement Fund established by the Trustee, for the benefit of Freddie Mac, pursuant to the Series Indenture.

“Credit Facility Provider” means Freddie Mac.

“Credit Facility Reimbursement Fund” means the Credit Facility Reimbursement Fund established by the Trustee for the benefit of Freddie Mac pursuant to the Series Indenture.

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

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

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

“Delivery Date” means September 16, 2011, which is the Release Date with respect to the 2009 Series A-3 Bonds and the date of initial issuance and delivery of the 2011 Series A Bonds to the initial purchasers thereof against payment therefore and the date Freddie Mac delivers the Credit Enhancement Agreement to the Trustee.

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

“Direction to Release” means a written direction to be delivered by Freddie Mac to the Trustee directing the Trustee to release the amounts of deposit in the Freddie Mac Collateral Fund to the Construction Lender, on behalf of the Borrower, for the purpose of repaying the Construction Loan or reimbursing the Construction Lender for any amounts which the Construction Lender is owed under the Construction Loan Documents.

“Dissemination Agent” means initially Wells Fargo Bank, National Association, 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 and shall be payable annually in advance on the Delivery Date and each September 1 thereafter.

“DTC” means The Depository Trust Company, New York, New York, as initial Securities Depository for the Bonds pursuant to the Series 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 Series Indenture; provided, that if a sender receives notice that the electronic mail is undeliverable, notice must be sent as otherwise required by the Series Indenture.

“Eligible Funds” means (a) proceeds received pursuant to the Credit Facility, (b) proceeds of the Bonds received contemporaneously with the release of the 2009 Series A-3 Bonds and the issuance and sale of the 2011 Series A Bonds (including any Bond proceeds deposited to the 2009 Series A-3 Project Account and the 2011 Series A Project Account of the Bond Mortgage Loan Fund on the Delivery Date), (c) proceeds from the investment or reinvestment of money described in clauses (a) and (b) above (d) 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, or (e) prior to the Delivery Date, proceeds derived from a draw on any Letter of Credit.

“Event of Default” or “event of default” means any of those events specified in and defined by the applicable provisions of the Series 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 and Bond Registrar, in respect of or to prevent default under the Series 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 Series 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 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 Series Indenture among the Borrower, the Issuer and the Trustee, as such Financing Agreement may from time to time be amended or supplemented.

“First Amendment” means the First Amendment to Indenture, dated as of November 1, 2010, between the Issuer and the Trustee, as same may be amended or modified from time to time.

“First Series Indenture” means the Series Indenture, dated as of December 1, 2009, between the Issuer and the Trustee, as same may be amended or modified from time to time.

“First Series Indenture Amendment” means the First Amendment to Series Indenture, dated as of November 1, 2010, between the Issuer and the Trustee, as same may be amended or modified from time to time.

“Forward Commitment Maturity Date” means September 1, 2013, unless extended by Freddie Mac in accordance with the Freddie Mac Commitment and the Guide.

“Four Week T-Bill Rate” means the interest rate for Four Week Treasury Bills (secondary market) as reported by the Federal Reserve on its website at the following internet address - <http://www.federalreserve.gov/releases/h15/update/h15upd.htm>.

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

“Freddie Mac Collateral Fund” means the Freddie Mac Collateral Fund established by the Trustee pursuant to the Series Indenture.

“Freddie Mac Credit Enhancement Fee” will have the meaning given to that term in the Reimbursement Agreement.

“Freddie Mac Credit Enhancement Payment” will have the meaning given to that term in the Credit Enhancement 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 Series Indenture.

“General Indenture” means the Indenture dated as of December 1, 2009 between the Issuer and the Trustee, as the same may have been and may be amended or modified from time to time.

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

“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” will 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.

“Indenture” means the General Indenture, as supplemented by the First Series Indenture, and as amended by the First Amendment, as further amended by the First Series Indenture Amendment and as further amended by the Second Series Indenture Amendment, and as further supplemented by the Series Indenture, as the same may be amended, modified or supplemented from time to time.

“Information Service” means in accordance with then-current guidelines of the Securities and Exchange Commission, one or more services selected by 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 .

“Initial Construction Loan Advance” means the initial advance on the Construction Loan made by the Construction Lender to the Trustee, on behalf of Borrower and for the benefit of Freddie Mac, for deposit into the Freddie Mac Collateral Fund on the Delivery Date in the amount set forth in the Series Indenture.

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

“Interest Payment Date” means, (i) with respect to the 2009 Series A-3 Bonds, following the payment of interest due on the Release Date, (a) the Permanent Rate Conversion Date and March 1 and September 1 of each year, commencing March 1, 2012 and (b) for 2009 Series A-3 Bonds subject to redemption but only with respect to such 2009 Series A-3 Bonds, the date of redemption (or purchase in lieu of redemption) and (ii) with respect to the 2011 Series A Bonds, (a) March 1 and September 1 of each year, commencing March 1, 2012 and (b) for 2011 Series A Bonds subject to redemption but only with respect to such 2011 Series A Bonds, the date of redemption (or purchase in lieu of redemption).

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

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

“Issuer Fee” means (i) the Issuer’s initial bond administration fee payable in accordance with the Issuer’s current fee schedule and (ii) the Issuer’s annual fee in the amount as set forth in and in accordance with and pursuant to the provisions of the Financing Agreement and Section 20 of the Regulatory Agreement.

“Letter of Credit” means the clean unconditional, irrevocable and transferable standby letter of credit to be issued and delivered to, and for the sole benefit of, Freddie Mac by the Construction Lender in accordance with the terms of the Construction Phase Financing Agreement, together with any amendment delivered with respect to such letter of credit.

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

“Loan Conversion Date” means the date specified as such by the Servicer in the Notice of Loan Conversion, which date shall be at least ten (10) days following the date on which the Notice of Loan Conversion is delivered and shall be any Business Day of a month.

“Loan Differential” means the difference between the original principal amount 2009 Series A-3 Bond Mortgage Loan made to the Borrower pursuant to the Financing Agreement and the Actual Bond Mortgage Loan Amount, as determined by Freddie Mac in its sole discretion.

“Loan Equalization Payment” means a mandatory prepayment of the 2009 Series A-3 Bond Mortgage Loan at the discretion of Freddie Mac so as to cause a partial redemption of the 2009 Series A-3 Bonds on or prior to the Loan Conversion Date in an amount equal to the Loan Differential.

“Market Risk Event” means (a) legislation enacted by the Congress, (b) a final non appealable decision rendered by a court established under Article III of the Constitution of the United States, or the United States Tax Court, or (c) an order, ruling or regulation issued by the United States Department of the Treasury or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of causing interest received by any Bondholder (other than a Bondholder who is a “substantial user” of the Project or a “related person” of a substantial user (each within the meaning of Section 147(a) of the Code)) to be included in the gross income of such Bondholder for purposes of federal income taxation.

“Maturity Date” means the maturity dates of the 2009 Series A-3 Bonds and the 2011 Series A Bonds, as applicable, as set forth on the inside cover hereof.

“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.

“Notice of Loan Conversion” means a written notice to be delivered not less than ten (10) days prior to the Loan Conversion Date by the Servicer to the Issuer, the Trustee, the Borrower, the Construction Lender and Freddie Mac (i) stating that the Conditions to Loan Conversion have been satisfied on or before the Forward Commitment Maturity Date or, if any Condition to Loan Conversion has not been satisfied on or before the Forward Commitment Maturity Date, stating that such Condition to Loan Conversion has been waived in writing by Freddie Mac (if a waiver is permitted) on or before the Forward Commitment Maturity Date, (ii) confirming the Loan Conversion Date and (iii) providing the schedule of deposits to the Credit Facility Principal Reimbursement Account provided for in the Reimbursement Agreement.

“Official Statement” means the Official Statement, dated September 12, 2011 relating to the modification, exchange and release of the 2009 Series A-3 Bonds and the issuance of the 2011 Series A Bonds, as the same may be supplemented or amended.

“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 Series Indenture during each twelve month period, which fee is equal to \$3,400 and shall be payable annually in advance on the Delivery Date and each September 1 thereafter.

“Outstanding,” “Bonds Outstanding” or “Outstanding Bonds” when used with respect to the Bonds means, as of any date, all Bonds that have been duly authenticated and delivered by the Trustee under the Series 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 Series Indenture; provided that if such Bonds are to be redeemed prior to the maturity thereof, other than by scheduled amortization, notice of such redemption will have been given or arrangements satisfactory to the Trustee will have been made therefor, or waiver of such notice satisfactory in form to the Trustee will 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 Series 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 Series 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 will be disregarded and deemed to be not Outstanding, unless all Bonds will be so owned, and provided that the Trustee has actual knowledge of the foregoing; provided, further, that all Purchased Bonds shall be deemed to be Outstanding, and the Trustee shall follow any direction provided by the Credit Facility Provider with respect to Purchased Bonds for the purposes hereof (Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee shall establish, to the satisfaction of the Trustee, the pledgee's right to vote such Bonds, and in the event of a dispute as to the existence of such right, any decision by the Trustee taken upon the advice of counsel shall constitute full protection to the Trustee). The term "control" (including the terms "controlling", "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise. Beneficial ownership of 5% or more of a class of securities having general voting power to elect a majority of the board of 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 Series Indenture.

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

"Permanent Rate" means, with respect to the 2009 Series A-3 Bonds, 2.58% per annum (the sum of 1.98% per annum, plus the Spread).

"Permanent Rate Conversion Date" means, with respect to the 2009 Series A-3 Bonds, November 16, 2011.

"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 Series Indenture by and among, Freddie Mac, the Custodian and the Borrower, as originally executed or as modified or amended from time to time.

"Principal Office of the Construction Lender" means the office of the Construction Lender referenced in the Series Indenture or such other office or offices as the Construction Lender may designate from time to time.

"Principal Office of the Credit Facility Provider" means the office of Freddie Mac located at 8100 Jones Branch Drive, McLean, Virginia 22102, or such other office or offices as Freddie Mac may designate in writing from time to time.

"Principal Office of the Trustee" means the office of the Trustee referenced in the Series 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.

“Program Bonds” means the ABAG Finance Authority For Nonprofit Corporations Affordable Multifamily Housing Revenue Bonds 2009 Series A in the original aggregate principal amount of \$65,780,000, a portion of which has been re-designated as the 2009 Series A-3 Bonds pursuant to the Series Indenture.

“Project” means, collectively, the land and residential rental apartment units, and related fixtures, equipment, furnishings and site improvements known as Vintage at Laguna II located in the City of Elk Grove, California, including the real estate described in the Bond Mortgage.

“Project Accounts” means, collectively, the 2009 Series A-3 Project Account and the 2011 Series A Project Account of the Bond Mortgage Loan Fund.

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

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

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

“Qualified Financial Institution” means a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America and financial institutions that are rated at least “A1” or financial institutions whose guarantors are rated “A1” (or equivalent rating) or as otherwise permitted by the Rating Agency.

“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”/“A-1+” by Moody’s/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/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/S&P, and which are approved by the Credit Facility Provider and the Construction Lender; (g) shares or units in any money market mutual fund rated “Aaa”/“AAA” by Moody’s/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; or (h)(i) tax exempt obligations rated in the highest short term rating category by Moody's or S&P, or (ii) shares of a tax-exempt municipal money market mutual fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the federal Securities Act of 1933, having assets of at least \$100,000,000, and having a rating of "Aaa"/"AAA" by Moody's/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 and the Construction Lender. For purposes of this definition, the "highest rating" shall mean a rating of at least "VMIG 1"/"A-1+" for obligations with less than one year maturity; at least "Aaa"/"VMIG 1"/"AAA"/"A-1+" for obligations with a maturity of one year or greater but less than three years; and at least "Aaa"/"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. For purposes of this definition, the phrase "Aaa"/"AAA" by Moody's/S&P shall mean that either Moody's has supplied a rating of "Aaa" or S&P has supplied a rating of "AAA," or both.

"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 Series Indenture and the Financing Agreement.

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

"Record Date" means 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 Series Indenture.

"Reimbursement Agreement" means the Reimbursement and Security Agreement dated as of the date of the Series Indenture between the Borrower and Freddie Mac, as the same 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 September 1, 2011 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, 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.

“Release Date” means September 16, 2011, with respect to the 2009 Series A-3 Bonds.

“Released Proceeds” means proceeds of the 2009 Series A-3 Bonds released from escrow on the Release Date as provided in the Indenture.

“Requisition” means, with respect to the Bond Mortgage Loan Fund, the requisition in the form attached to the Series Indenture required to be submitted in connection with disbursements from the 2009 Series A-3 Project Account, the 2011 Series A 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 attached to the Series Indenture required to be submitted in connection with disbursements from the Cost of Issuance Fund.

“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 Series Indenture.

“Revenue Fund” means the Revenue Fund established by the Trustee pursuant to the Series 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 Series Indenture (excluding money or securities in the Cost of Issuance Fund, the Administration Fund, the Freddie Mac Collateral Fund, the Credit Facility Reimbursement Fund, the Borrower Equity Account and the Rebate Fund), together with all investment earnings thereon. Construction Loan Advances shall not constitute Revenues under the Series 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.

“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 Series Indenture.

“Series Indenture” means the Series Indenture dated as of September 1, 2011 between the Issuer and the Trustee.

“2011 Series A Bond Mortgage Loan” means the loan made by the Issuer to the Borrower in the original principal amount of \$4,030,000, with the proceeds of the 2011 Series A Bonds.

“2011 Series A Bonds” means the Issuer’s Multifamily Housing Revenue Bonds (Vintage at Laguna II) 2011 Series A, issued in the aggregate principal amount of \$4,030,000 pursuant to the Indenture.

“2011 Series A Project Account” means the 2011 Series A Project Account of the Bond Mortgage Loan Fund established by the Trustee pursuant to the Series Indenture.

“2011 Series A Rebate Account” means the 2011 Series A Rebate Account of the Rebate Fund established by the Trustee pursuant to the Series Indenture.

“2009 Series A-3 Bond Mortgage Loan” means the loan made by the Issuer to the Borrower in the original principal amount of \$3,220,000, with the proceeds of the 2009 Series A-3 Bonds.

“2009 Series A-3 Bonds” means the Issuer’s Affordable Multifamily Housing Revenue Bonds (Vintage at Laguna II), 2009 Series A-3, issued pursuant to the provisions of the Indenture.

“2009 Series A-3 Project Account” means the 2009 Series A-3 Project Account of the Bond Mortgage Loan Fund established by the Trustee pursuant to the Series Indenture.

“2009 Series A-3 Rebate Account” means the 2009 Series A-3 Rebate Account of the Rebate Fund established by the Trustee pursuant to the Series 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 Series Indenture.

“Short-Term Rate” means, with respect to the 2009 Series A-3 Bonds, an interest rate per annum equal to the sum of the Four Week T-Bill Rate, plus the Spread.

“Special Issuer Fee” means, with respect to the 2009 Series A-3 Bonds, an amount equal to the difference between interest calculated on the 2009 Series A-3 Bonds at the Short-Term Rate and interest calculated on the 2009 Series A-3 Bond Mortgage Loan at the Permanent Rate for the period from and including the Delivery Date to, but not including, the Permanent Rate Conversion Date, which amount shall be payable to the Issuer on the Permanent Rate Conversion Date pursuant to the provisions of the Series Indenture.

“Special Purchased Bonds” has the meaning given to that term in the Series Indenture.

“Special Purchase Date” has the meaning given to that term in the Series Indenture.

“Special Purchase Price” has the meaning given to that term in the Series Indenture.

“Spread” means 0.60 percent.

“State” means the State of California.

“Tax Certificate” means, collectively, the Tax Certificate and Agreement with respect to the 2009 Series A-3 Bonds executed by the Issuer and the Borrower on the Delivery Date, together with all attachments and exhibits thereto and the Tax Certificate and Agreement with respect to the 2011 Series A Bonds executed by the Issuer and the Borrower on the Delivery Date, together with all attachments and exhibits thereto.

“Tax Regulatory Agreement” means the Regulatory Agreement and Declaration of Restrictive Covenants dated as of the date of the Series Indenture among the Issuer, the Trustee and the Borrower.

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

“Trust Estate” shall have the meaning given to that term in the Series 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.

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## APPENDIX B

### SUMMARY OF CERTAIN PROVISIONS OF THE SERIES INDENTURE

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

#### **Pledge of Revenues and Assets; Establishment of Funds**

In addition to the Bond Mortgage Loan Fund established pursuant to the Series Indenture, 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 in the Series Indenture:

- (a) Revenue Fund, and within the Revenue Fund, a General Account and a Credit Facility Account;
- (b) Bond Fund and within the Bond Fund a Purchased Bonds Account;
- (c) Redemption Fund;
- (d) Administration Fund;
- (e) Cost of Issuance Fund;
- (f) (f) Credit Facility Reimbursement Fund, and within the Credit Facility Reimbursement Fund, a Credit Facility Principal Reimbursement Account and a Credit Facility Interest Reimbursement Account;
- (g) Freddie Mac Collateral Fund; and
- (h) Rebate Fund, and within the Rebate Fund a 2009 Series A-3 Rebate Account and a 2011 Series A Rebate Account.

The funds and accounts established pursuant to the Series 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 Series 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 Credit Facility Reimbursement Fund, the Freddie Mac Collateral Fund, and the Bond Mortgage Loan Fund, and (iii) the Borrower, respecting the Administration Fund and the Cost of Issuance Fund, (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 Series Indenture with respect to a deposit or use of money in the funds established under the Series Indenture, or result in commingling of funds not permitted under the Series Indenture.

## **Bond Mortgage Loan Fund**

The Trustee shall deposit the proceeds of the Bonds as provided in the Series Indenture. The Trustee shall deposit the Borrower Equity Deposit into the Borrower Equity Account of the Bond Mortgage Loan Fund and the Costs of Issuance Deposit into Costs of Issuance 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 Series Indenture.

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 on deposit in the Borrower Equity Account of the Bond Mortgage Loan Fund shall be disbursed from time to time by the Trustee for the purpose of (i) reimbursing the Credit Facility Provider for draws under the Credit Facility to pay interest on the Bonds, (ii) paying the Bond Fee Component, the Special Issuer Fee, any fees due and payable to the Credit Facility Provider, and any interest and fees due and payable to the Construction Lender, or (iii) 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 Series Indenture.

The Trustee shall automatically transfer amounts from the Borrower Equity Account of the Bond Mortgage Loan Fund without any need for requisition or other written direction to (i) the Administration Fund to pay the appropriate party its accrued fees that are included in the Bond Fee Component that are due and payable as set forth in the Series Indenture or upon receipt of an invoice, and to the Credit Facility Provider any fees due and payable, and (ii) the Credit Facility Interest Reimbursement Account of the Credit Facility Reimbursement Fund to reimburse the Credit Facility Provider for draws under the Credit Facility to pay interest on the Bonds. With the exception of the preceding sentence, the Trustee shall make disbursements from the respective accounts of the Bond Mortgage Loan Fund for purposes described in the Series Indenture only upon the receipt of Requisitions signed by an Authorized Officer of the Borrower and countersigned by an Authorized Officer of the Construction Lender (signifying the consent to the Requisition by the Construction Lender). 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 Construction Loan Documents. The countersignature of the Authorized Officer of the Construction Lender 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 Construction Loan Documents 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 Construction Lender, initiate procedures with the provider of a Qualified Investment to make withdrawals as necessary to fund the Requisition.

Notwithstanding anything to the contrary contained in the immediately preceding paragraph, but subject to the immediately succeeding paragraph under this heading, (i) 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 or Construction Loan Document (notice of which default has been given in writing by the Construction Lender 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); and (ii) the Trustee shall disburse amounts in the Bond Mortgage Loan Fund upon receipt of a Requisition signed only by the Construction Lender (and without any need for any signature by an Authorized Officer of the Borrower or Servicer), with notice to the Borrower, so long as the amount to be disbursed is to be used solely to make payments of, interest and fees due under the Bond Mortgage Loan Documents or Construction Loan Documents.

Notwithstanding anything to the contrary contained in the Series Indenture or any other Bond Financing Document, prior to receipt by the Trustee of a Direction to Release, the Trustee shall not make any disbursement from the Project Accounts of the Bond Mortgage Loan Fund unless and until the Trustee shall have ascertained that, after giving effect to the disbursement to be made in accordance therewith, the sum of (A) amounts deposited and held in the Project Accounts of the Bond Mortgage Loan Fund plus (B) amounts deposited and held in the Freddie Mac Collateral Fund (disregarding any investment earnings thereon), will not be less than the Construction Phase Collateral Requirement.

If a Requisition signed by an Authorized Officer of the Borrower and countersigned by an Authorized Officer of the Construction Lender or (as permitted under the Series Indenture) solely by an Authorized Officer of the Construction Lender, 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 after the later of (i) receipt thereof by the Trustee and (ii), if the requisition is for monies held in the Project Accounts of the Bond Mortgage Loan Fund prior to receiving a Direction to Release, the determination by the Trustee that, after giving effect to the disbursement to be made in accordance therewith, the sum of (A) amounts deposited and held in the Project Accounts of the Bond Mortgage Loan Fund plus (B) amounts deposited and held in the Freddie Mac Collateral Fund (disregarding any investment earnings thereon) will not be less than the Construction Phase Collateral Requirement. 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.

Immediately prior to any mandatory redemption of Bonds described in paragraph (ii), (vii) or (ix) under the heading “THE BONDS—Mandatory Redemption of Bonds” above, 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 pursuant to the Series Indenture. In addition, any amount remaining in the 2009 Series A-3 Project Account or the 2011 Series A Project Account of the Bond Mortgage Loan Fund upon the earlier of (a) the Loan Conversion Date and not required to pay Costs of the Project not yet due and payable or being contested in good faith, in each case determined in accordance with the Construction Loan Documents, or (b) the Forward Commitment Maturity Date shall be transferred to the Redemption Fund and used to reimburse the Credit Facility Provider for the related redemption of the 2009 Series A-3 Bonds or the 2011 Series A Bonds, as applicable, in accordance with the Series Indenture, provided, that if the Forward Commitment Maturity Date occurs prior to the Loan Conversion Date and if the Trustee purchases the Bonds for the account of the Construction Lender, such transfer shall be made no later than three (3) years after the Forward Commitment Maturity Date upon the request of the Construction Lender; provided further, that any amounts in the 2009 Series A-3 Project Account or the 2011 Series A 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 2009 Series A-3 Bonds or the 2011 Series A Bonds shall be transferred to the 2009 Series A-3 Rebate Account or the 2011 Series A Rebate Account, as applicable. Furthermore, any amount remaining in the Borrower Equity Account of the Bond Mortgage Loan Fund upon the earlier of (a) the Loan Conversion Date and not required to pay Costs of the Project not yet due and payable or being contested in good faith, in each case determined in accordance with the Construction Loan Documents, or (b) the Forward Commitment Maturity Date, and provided no default by the Borrower exists under the Series 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.

Amounts on deposit in the Bond Mortgage Loan Fund shall be invested as provided in the Series Indenture. All Investment Income earned 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 Series Indenture.

## **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 hereof to be retained in the funds and accounts to which they are attributable; (v) amounts designated as monthly interest or principal deposits which shall be deposited in the related account of the Credit Facility Reimbursement Fund; and (vi) with respect to amounts required to be transferred between funds and accounts as provided in the Series 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 of and interest on any Purchased Bonds and excluding the principal constituting a mandatory sinking fund payment on any Bonds on such date and, prior to the Loan Conversion Date, taking into account amounts in the Project Account of the Bond Mortgage Loan Fund available to make such payments); 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, such amount as the Credit Facility Provider shall advise the Trustee is equal to the interest due on the Purchased Bonds on such date.

Promptly upon receipt, the Trustee shall deposit directly to the Redemption Fund (i) Net Proceeds representing casualty insurance proceeds or condemnation awards paid as a prepayment of the Bond Mortgage Loan, such amount to be applied to reimburse the Credit Facility Provider for a draw under the Credit Facility in such amount to provide for extraordinary mandatory redemption of all or a portion of the Bonds described in paragraph (i) under the heading “THE BONDS—Mandatory Redemption of Bonds” 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; (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 Series 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; and (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.

At the written direction of the Borrower, and with the written consent of the Credit Facility Provider and the Construction Lender, together with a certificate setting forth that no default exists under the Bond Mortgage Loan Documents signed by the Servicer, Investment Income deposited into the General Account of the Revenue Fund shall be paid to the Borrower semi-annually on each Interest Payment Date, commencing on the first Interest Payment Date after Loan Conversion occur, so long as (i) there is no deficiency in the Credit Facility Reimbursement Fund, the Administration Fund, the Rebate Fund, the Freddie Mac Collateral Account or any Custodial Escrow Account, (ii) no default exists under the Bond Mortgage Loan and (iii) no event of default exists under any of the Bond Mortgage Loan Documents.

### **Application of 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 realized from the investment of 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 Series Indenture.

### **Application of Redemption Fund**

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

On or before each Interest Payment Date, any Investment Income realized from the investment of 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 Series Indenture.

### **Application of Administration Fund**

The Trustee shall deposit into the Administration Fund, promptly upon receipt thereof, all amounts received from the Servicer, the Borrower and, prior to the Loan Conversion Date, the Construction Lender designated for deposit into such fund. Prior to the earlier of the Loan Conversion Date or the payment in full of all Bonds Outstanding, amounts on deposit in the Administration Fund shall be applied on each Interest Payment Date as follows: first, to the payment of accrued fees that are included in the Bond Fee Component that are due and payable; second, the payment of any fees due and payable to Freddie Mac under the Reimbursement Agreement; third, to the Construction Lender any fees due and payable under the Construction Loan Agreement; and fourth, to the Issuer, the Special Issuer Fee in accordance with the Series Indenture. Thereafter, 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 Series 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 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; SIXTH, to pay to the Issuer any extraordinary expenses it may incur in connection with the Bonds or the Series Indenture from time to time, as set forth in an invoice submitted to the Trustee and Freddie Mac; SEVENTH, 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; EIGHTH, 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; NINTH, 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 Series Indenture in the Redemption Fund is insufficient to redeem Bonds called for redemption on such redemption date; TENTH, to pay to the Dissemination Agent when due the Dissemination Agent's Fee; ELEVENTH, 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; and TWELFTH, 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, the Investment Income realized from the investment of 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 Series Indenture.

### **Credit Facility Reimbursement Fund**

(a) The Trustee shall deposit into the Credit Facility Interest Reimbursement Account of the Credit Facility Reimbursement Fund, promptly upon receipt thereof, all amounts received from the Servicer, including, but not limited to, scheduled monthly interest collections pursuant to the Reimbursement Agreement, and, prior to the Loan Conversion Date, all amounts received from the Borrower and the Construction Lender, designated for deposit into such account. Amounts on deposit in the Credit Facility Interest Reimbursement Account shall be applied by the Trustee to reimburse the Credit Facility Provider for amounts drawn under the Credit Facility to pay interest on the Bonds. On each Interest Payment Date, the Trustee, without the need for any further direction, shall pay to the Credit Facility Provider by no later than 2:30 p.m., Washington, D.C. time, from and to the extent of amounts on deposit in the Credit Facility Interest Reimbursement Account, an amount equal to the amount drawn by the Trustee under the Credit Facility to pay interest on the Bonds on such date.

(b) The Trustee shall deposit into the Credit Facility Principal Reimbursement Account of the Credit Facility Reimbursement Fund, promptly upon receipt thereof, all amounts received from the Servicer designated for deposit into such account, including, but not limited to, scheduled monthly principal deposits pursuant to the Reimbursement Agreement, and, prior to the Loan Conversion Date, all amounts received from the Borrower or the Construction Lender, designated for deposit into such account. Amounts on deposit in the Credit Facility Principal Reimbursement Account shall be applied by the Trustee to reimburse the Credit Facility Provider for amounts drawn under the Credit Facility to pay principal on the Bonds. On each maturity date for the Bonds and each date the Bonds are subject to optional or mandatory redemption, the Trustee, without the need for any further direction, shall pay to the Credit Facility Provider by no later than 2:30 p.m., Washington, D.C. time, from and to the extent of amounts on deposit in the Credit Facility Principal Reimbursement Account, an amount equal to the principal amount drawn by the Trustee under the Credit Facility to pay or redeem Bonds in Authorized Denominations on such date.

(c) In the event that the amounts on deposit in the respective accounts in the Credit Facility Reimbursement Fund are insufficient to reimburse the Credit Facility Provider the full amount to be drawn under the Credit Facility to pay interest or principal on the Bonds, as applicable, the Trustee shall promptly give notice to the Credit Facility Provider, the Servicer, the Borrower and, prior to the Loan Conversion Date, the Construction Lender, of such deficiency and of the amount of such deficiency.

(d) All Investment Income on amounts on deposit in the Credit Facility Reimbursement Fund shall be retained in and credited to and become a part of the amounts on deposit in the respective accounts in such fund. Provided that (as confirmed by the Trustee with the Servicer or the Credit Facility Provider) (i) there is no deficiency in the Credit Facility Reimbursement Fund, the Administration Fund, the Rebate Fund, or any Custodial Escrow Account, (ii) no default exists under the Bond Mortgage Loan, (iii) no Event of Default exists thereunder or under any of the other Borrower Documents (as defined in the Reimbursement Agreement), and (iv) the Credit Facility Provider has been fully reimbursed for amounts drawn on the Credit Facility, the Trustee, without the need for any further direction, shall pay such Investment Income to the Borrower on the Interest Payment Date next succeeding receipt thereof (after making all payments specified in the Series Indenture).

(e) At the written direction of the Credit Facility Provider, the amounts on deposit in the Credit Facility Reimbursement 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 Credit Facility Reimbursement 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.

(f) 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 Credit Facility Reimbursement Fund to the Borrower (in which case the Trustee shall release such amounts to the Borrower, provided that if, in the judgment of the Rebate Analyst, the amount on deposit in the Rebate Fund at such time is less than the amount required under the Series Indenture to be rebated to the United States Department of the Treasury, then prior to any such release to the Borrower, any amounts on deposit in the Credit Facility Reimbursement 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 Credit Facility Reimbursement Fund.

(g) Any amounts remaining in the Credit Facility Reimbursement 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 provided in the Series Indenture.

#### **Rebate Fund; Compliance with Tax Certificate**

The Trustee shall establish the Rebate Fund, and within the Rebate Fund the 2009 Series A-3 Rebate Account and the 2011 Series A Rebate Account, and hold and apply the Rebate Fund as provided 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 2009 Series A-3 Rebate Account or the 2011 Series A Rebate Account, as applicable, by the Borrower for such purpose. All money at any time deposited in the 2009 Series A-3 Rebate Account or the 2011 Series A Rebate Account 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 United States Government, and neither the Issuer, the Borrower, the Credit Facility Provider nor the Bondholders shall have any rights in or claim to such money. All amounts deposited into or on deposit in the 2009 Series A-3 Rebate Account and the 2011 Series A Rebate Account shall be governed by this Section 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 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 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 Treasury 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 in the Series Indenture.

Within 55 days of the end of each fifth Bond Year, upon the written direction of the Issuer or the Rebate Analyst, an amount shall be deposited to the 2009 Series A-3 Rebate Account or the 2011 Series A Rebate Account, as applicable, by the Trustee from amounts provided by the Borrower, if and to the extent required so that the balance in the 2009 Series A-3 Rebate Account or the 2011 Series A Rebate Account shall equal the amount of Rebatable Arbitrage so calculated in accordance with the preceding paragraph.

The Trustee shall pay, as directed by the Issuer or the Rebate Analyst, to the United States Department of the Treasury, out of amounts in the 2009 Series A-3 Rebate Account or the 2011 Series A Rebate Account, as applicable:

(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 2009 Series A-3 Bonds or the 2011 Series A Bonds, as applicable, 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 heading 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 Series Indenture to the contrary, the obligation to remit payment of the Rebatable Arbitrage to the United States and to comply with all other requirements of the Series Indenture and the Financing Agreement and the requirements of the Tax Certificate shall survive the defeasance or payment in full of the Bonds.

Any funds remaining in the 2009 Series A-3 Rebate Account or the 2011 Series A Rebate Account after redemption and payment of all of the 2009 Series A-3 Bonds or the 2011 Series A Bonds, as applicable, 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 Series 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 Series 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 Rebatable 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, 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.

## **Special Issuer Fee**

When the Trustee draws on the Credit Facility to pay interest accruing to the Permanent Rate Conversion Date, the Trustee shall draw an amount calculated as if the 2009 Series A-3 Bond Mortgage Loan has borne interest at the applicable Permanent Rate from the Delivery Date to, but not including, the Permanent Rate Conversion Date. The Trustee shall, after drawing on the Credit Facility pursuant to the Series Indenture and depositing into the Bond Fund sufficient amounts to pay the interest on the 2009 Series A-3 Bonds, transfer any amounts remaining in the Credit Facility Account of the Revenue Fund to the Administration Fund for use to pay the Issuer the Special Issuer Fee.

## **Cost of Issuance Fund**

The Trustee shall use money on deposit to the credit of the costs 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 2011 Series A Bonds (and accepted and agreed to by the Issuer, the Borrower and the Construction Lender) 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 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 Construction lender for application as set forth in the Construction Loan Agreement. 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 Series Indenture. Any money attributable to each of the funds and accounts under the Series Indenture shall be, except as otherwise expressly provided in the Series Indenture, invested by the Trustee, at the written direction of the Borrower (or, in the case of the Rebate Fund, 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 Series 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 Reimbursement Fund and 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 Series 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 Series 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 herein authorized. The Trustee shall be entitled to assume, absent receipt by the Trustee of written notice to the contrary, that any investment which at the time of purchase in a Qualified Investment remains a Qualified Investment thereafter.

Amounts on deposit in the Freddie Mac Collateral Fund shall be invested and reinvested by the Trustee in (i) non-AMT tax exempt obligations rated in the highest short term category by Moody's or S&P; or (ii) money market mutual funds (including funds of the Trustee or affiliates) registered under the Investment Company Act of 1940, as amended, investing solely in investments described in (i) which are rated in the highest short term category by Moody's or S&P, which in any case, shall mature or be subject to tender or redemption at par on or prior to the earlier of (A) 35 days from the date of investment or (B) the date such moneys are needed for the purposes thereof. All such investments shall be attributable to and deemed at all times to be a part of the Freddie Mac Collateral 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 Series 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 hereby 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 Series Indenture.

The Issuer acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory agency grant the Issuer the right to receive brokerage confirmations of the security transactions as they occur. To the extent permitted by law, the Issuer specifically waives compliance with 12 C.F.R. 12 and hereby notifies the Trustee under the Series Indenture, that no brokerage confirmations need be sent relating to the security transactions as they occur.

In computing for any purpose under the Series 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 Series 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 purpose at any time pursuant to the terms of the Series Indenture shall be and have been assigned, transferred and set over unto the Trustee in trust for the purposes and under the terms and conditions of the Series Indenture.

### **Amounts Remaining in Funds**

After full payment of the Bonds (or provision for payment thereof having been made in accordance with the Series 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 Series Indenture or under any Bond Mortgage Loan Document, including, but not limited to, the Credit Facility and the Reimbursement Agreement or the Construction Loan Documents, any amounts remaining in any fund or account under the Series 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 Series Indenture shall be paid to the Credit Facility Provider in accordance with the Reimbursement Agreement; provided, further, that if a default shall have occurred and remain uncured under the Construction Loan Documents of which the Trustee shall have received written notice from the Construction Lender, then following payment of any amounts due and payable to the Credit Facility Provider, any such amounts remaining in any fund or account under the Series Indenture shall be paid to the Construction Lender in accordance with the Construction Loan Documents.

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

The Trustee and the Issuer expressly acknowledge that references in the Series Indenture to payments or prepayments of the Bond Mortgage Loan shall, for all purposes of the Series Indenture, refer solely to such portion of such payments or prepayments actually paid by the Credit Facility Provider to the Trustee as Guaranteed Payments pursuant to the Credit Facility for which the Borrower has correspondingly reimbursed the Credit Facility Provider in an amount equal to the Guaranteed Payments. Without in any way limiting the foregoing, the Trustee, and the Issuer acknowledge that, following the Loan Conversion Date, pursuant to the Guide, the Servicer will pay the Freddie Mac Credit Enhancement Fee 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 Series 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 Series 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 in lieu of redemption as described under the heading “THE BONDS—Purchase of Bonds in Whole in Lieu of Redemption” above, to pay, to the extent provided in the Credit Facility, the Purchase Price of the Bonds in accordance with the Series Indenture.

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

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

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 and (prior to the Loan Conversion date) the Construction Lender, via facsimile a copy of any documents which are presented to the Credit Facility Provider in connection with a drawing on the Credit Facility concurrently with its submission of those documents to the Credit Facility Provider, if requested to do so by the Borrower.

### **Freddie Mac Collateral Fund**

There shall be deposited into the Freddie Mac Collateral Fund each Construction Loan Advance in accordance with the Construction Phase Financing Agreement, including the Initial Construction Loan Advance. Income realized from the investment or deposit of money in the Freddie Mac Collateral Fund shall be deposited by the Trustee upon receipt thereof in the Freddie Mac Collateral Fund.

Upon receipt by the Trustee of money derived from a draw on the Credit Facility in connection with a written direction by the Credit Facility Provider to redeem the Bonds as a result of the occurrence of a Borrower Default, a Construction Lender Default or a Direction to Draw, amounts on deposit in the Freddie Mac Collateral Fund in an amount equal to difference between (i) the Construction Phase Collateral Requirement and (ii) amounts remaining in the Project Account of the Bond Mortgage Loan Fund being transferred to the Redemption Fund to be applied to reimburse the Credit Facility Provider for the related redemption of Bonds pursuant to the Series Indenture, shall be released to the Credit Facility Provider.

Upon receipt by the Trustee of a Direction of Release from the Credit Facility Provider, amounts on deposit in the Freddie Mac Collateral Fund shall be released to the Construction Lender.

Bondholders have no interest in any Construction Loan Advance or amounts in the Freddie Mac Collateral Fund.

Investment earnings, if any, on amounts on deposit in the Freddie Mac Collateral Fund may be transferred by the Trustee to the Borrower Equity Account of the Bond Mortgage Loan Fund on the Business Day immediately prior to each Interest Payment Date so long as (A) no default by the Borrower has occurred and is continuing under any of the Borrower Documents and (B) the Trustee shall have ascertained that, after giving effect to the disbursement, the sum of (i) amounts deposited and held in the Project Accounts of the Bond Mortgage Loan Fund plus (ii) amounts deposited and held in the Freddie Mac Collateral Fund (disregarding any investment earnings thereon), will not be less than the Construction Phase Collateral Requirement.

### **Events of Default**

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

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

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

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

#### **Acceleration; Other Remedies Upon Event of Default**

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

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

If at any time after the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered, the Issuer, the Borrower, the Credit Facility Provider or the Construction Lender, 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 Series 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) above has occurred and is then continuing, by the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding), then and in every case, the Trustee on behalf of the Holders of all the Outstanding Bonds shall rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, nor shall it impair or exhaust any right or power consequent thereon. Notwithstanding the foregoing provisions of this paragraph, in the event the Cure Amount is derived in whole or in part from a draw on the Credit Facility, any such rescission or annulment of such declaration of acceleration shall not occur without the written consent of the Credit Facility Provider. The right of the Construction Lender to deposit sums with the Trustee as set forth above shall not be construed to mean that the Construction Phase Credit Facility (if issued and delivered in accordance with the terms of the Construction Phase Financing Agreement) directly secures or otherwise enhances the Bonds or runs to the benefit of any party other than the Credit Facility Provider.

Upon the occurrence and during the continuance of an Event of Default, the Trustee in its own name and as trustee of an express trust, on behalf and for the benefit and protection of the Holders of all Bonds with respect to which such an Event of Default has occurred and of the Credit Facility Provider (if no Event of Default has occurred and is continuing as described in paragraph (b) above), may also proceed to protect and enforce any rights of the Trustee and, to the full extent that the Holders of such Bonds themselves might do, the rights of such Bondholders under the laws of the State or under the Series Indenture by such of the following remedies as the Trustee shall deem most effectual to protect and enforce such rights; provided that, so long as no Event of Default has occurred and is then continuing described in paragraph (b) above, the Trustee may undertake any such remedy only upon the receipt of the prior written consent of the Credit Facility Provider (which consent may be given in the sole discretion of the Credit Facility Provider) and the Construction Lender:

(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 Series Indenture, the Financing Agreement, the Tax 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 Series 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 Series 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 Series Indenture or under the Financing Agreement, the Regulatory Agreement, the Credit Facility, the Reimbursement Agreement or any other Bond Financing Document, as applicable, or 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 Series 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 Series Indenture upon the occurrence of an Event of Default shall be subject to the provisions of the Intercreditor Agreement. Upon the exercise of remedies by the Trustee, the Trustee shall send notice thereof to the Program Notice Parties set forth in the Series Indenture.

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

### **Application of Moneys 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 Series 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 Series Indenture.

In the event that at any time the money credited to the Revenue Fund, the Bond Fund, the Redemption Fund and the Administration 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 Series 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 Series Indenture, including, without limitation, the payment of all reasonable fees and expenses of the Trustee incurred in exercising any remedies under the Series Indenture.

(b) So long as no Event of Default has occurred and is then continuing as described in paragraph (b) under the heading “Events of Default; Acceleration; Remedies” above, first 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) and second, prior to the Loan Conversion Date, for the payment to the Construction Lender of all amounts then due and unpaid under the Construction Loan Agreement.

(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 has occurred and is then continuing as described in paragraph (b) under the heading “Events of Default; Acceleration; Remedies” above, 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 Series Indenture or for the execution of any trust under the Series Indenture or for the appointment of a receiver or any other remedy under the Series Indenture, unless (a) a

default shall have occurred of which the Trustee shall have been notified as provided in the Series 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 Series 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 Series Indenture; and (e) the Trustee shall within 60 days thereafter fail or refuse to exercise the powers granted by the Series Indenture, or to institute such action, suit or proceeding; it being understood and intended that no one or more Holders of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Series 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 Series Indenture, except in the manner provided in the Series 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 Series Indenture shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of, the premium, if any, and interest on any Bond at the maturity thereof or the obligation of the Issuer to pay the principal of, premium, if any, and interest on the Bonds issued under the Series Indenture to the respective holders thereof, at the time, in the place, from the sources and in the manner expressed in the Series 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 shall have occurred and so long as no Event of Default has occurred and is then continuing as described in paragraph (b) under the heading “Events of Default; Acceleration; Remedies” above, upon receipt of the written direction of the Credit Facility Provider (which direction may be given in the sole discretion of the Credit Facility Provider), the Trustee shall be obligated to exercise any right or power conferred by the Series 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 by the Series 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, shall exercise one or more of such rights and powers as the Trustee, being advised by counsel or committee of Responsible Officers, shall deem to be in the best interests of the Bondholders and the Credit Facility Provider; provided, however, that in any event, so long as no Event of Default has occurred and is then continuing as described in paragraph (b) under the heading “Events of Default; Acceleration; Remedies” above, the Trustee may not undertake any action to realize, through sale or otherwise, upon the Bond Mortgage Loan without the express written direction of the Credit Facility Provider. So long as no Event of Default has occurred and is then continuing described in paragraph (b) under the heading “Events of Default; Acceleration; Remedies” above, 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 Series Indenture, or for the appointment of a receiver or any other proceedings under the Series Indenture, in accordance with the provisions of law and of the Series 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 Construction Lender, enter into an indenture or indentures supplemental to the Series Indenture for any one or more of the following purposes:

(a) to cure any formal defect, omission, inconsistency or ambiguity in the Series 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 Series Indenture or the rights of the Trustee under the Series Indenture as theretofore in effect;

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

(d) to modify, amend or supplement the Series Indenture or any Series Indenture to the Trust Indenture in such manner as to permit the 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, 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 Series Indenture as required by the Rating Agency to obtain or maintain a rating or ratings for the Bonds, except no change may be made that will materially adversely affect the interests of the Holders of the Bonds to be Outstanding after the effective date of the change;

(g) to implement or modify any secondary market disclosure requirements; and

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

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

With the prior written consent of the Credit Facility Provider and the Construction Lender, 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 Series 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 Series Indenture; provided, however, that nothing described under this heading shall permit, or be construed as permitting, (a) 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 Series Indenture, (c) a reduction in the aforesaid

percentage of the principal amount of Bonds which is required in connection with the giving of consent to any such supplemental indenture, without the consent of the Holders of all of the Bonds then Outstanding, (d) the modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee, (e) a privilege or priority of any Bond over any other Bonds, or (f) any action that results in the interest on the Bonds becoming included in gross income for federal income tax purposes.

If at any time the Issuer 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 and the Construction Lender. 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, the Construction Lender and the Holders of not less than the percentage of Bonds as described under this heading. If the Holders of not less than the percentage of Bonds as described under this heading shall have consented to and approved the execution and delivery of a supplemental indenture as provided in the Series 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 Series Indenture permitted and provided, the Series 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 Series Indenture.

Anything in the Series 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 shall have expressly consented in writing to the execution and delivery of such supplemental indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture to be mailed by certified or registered mail to the Borrower or the Borrower's attorney at least 15 days prior to the proposed date of execution and delivery of any Series Indenture.

Notwithstanding any other provision of the Series Indenture, the Issuer and the Trustee may consent to any supplemental indenture upon receipt of the consent of the Credit Facility Provider, the Construction Lender, 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, the Credit Facility Provider and the Construction Lender, 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 Series Indenture;

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

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

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

(e) 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 under the heading “Amendments to Financing Agreement Requiring Consent of Bondholders” below.

#### **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, the Borrower and the Construction Lender, 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 Series 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 Series 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 Series Indenture complies with the provisions of the Series Indenture, (ii) it is proper for the Trustee to join in the execution of that supplemental indenture or amendment under the provisions of the Series 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 Series 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 Series 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 Series Indenture and use the same degree of care and skill in its exercise as a prudent Person would exercise or use under similar circumstances in the conduct of such Person's own affairs.

No provision of the Series 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 Series 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 Series Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Series 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 willful misconduct or negligence by the officer or employee of the Trustee as the case may be; and

(ii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Credit Facility Provider or the Holders of more 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 Series 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 Series Indenture.

To help the government of the United States of America fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. For a non-individual Person such as a business entity, a charity, a Trust, or other legal entity, the Trustee may request documentation to verify such Person's formation and existence as a legal entity. The Trustee may also request financial statements, licenses, identification and authorization documents from individuals claiming authority to represent such Person or other relevant documentation.

There shall at all times be a Trustee under the Series Indenture which shall be an association or 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 Series Indenture. If such association or corporation publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority referred to above, then for the purposes of this heading, the combined capital and surplus of such association or corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of the Series Indenture and another association or corporation is eligible, the Trustee shall resign immediately in the manner and with the effect specified in the Series Indenture.

The Trustee may at any time resign from the trusts created by the Series Indenture by giving written notice to the Issuer, the Borrower, the Credit Facility Provider and the Construction Lender, 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 Credit Facility Provider and the Construction Lender 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 Series Indenture and such successor Trustee shall have agreed in writing to be bound by the duties and obligations of the Trustee under the Series Indenture and under the Intercreditor Agreement.

The Trustee may be removed at any time, either with or without cause, with the consent of the Credit Facility Provider (which consent of the Credit Facility Provider shall not be unreasonably withheld and which approval shall be deemed given after 15 days if the Credit Facility Provider has not responded to a written request for such approval) and the Construction Lender (which consent of the Construction Lender shall not be unreasonably withheld and which approval shall be deemed given after 15 days if the Credit Facility Provider has not responded to a written request for such approval), by a written instrument

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

In case at any time the Trustee shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting under the Series 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 forthwith and ipso facto be created in the office of such Trustee under the Series Indenture, and the Issuer, with the written consent of the Credit Facility Provider and the Construction Lender (which consent shall not be unreasonably withheld and which consent shall be deemed given after 15 days if the applicable party has not responded to a written request from the Issuer for such consent), shall promptly appoint a successor Trustee. Any such appointment shall be made by a written instrument executed by an Authorized Officer of the Issuer.

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

If the Issuer shall pay or cause to be paid to the Holders of the Bonds the principal, interest and premium, if any, to become due thereon at the times and in the manner stipulated therein and in the Series 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 the deposit or credit to the account of the Trustee, in trust, of money or securities in the necessary amount (as provided in the Series Indenture) to pay the principal, redemption price and interest to the date established for redemption whether by redemption or otherwise; 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 Series 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 Dissemination Agent, the Rebate Analyst, the Construction Lender and the Paying Agent, and if the Issuer shall keep, perform and observe all and singular the covenants and promises in the Bonds and in the Series Indenture expressed as

to be kept, performed and observed by it or on its part, then these presents and the estates and rights granted shall cease, determine and be void, and thereupon the Trustee shall cancel and discharge the lien of the Series Indenture and execute and deliver to the Issuer such instruments in writing as shall be requisite to satisfy the lien of the Series Indenture, and reconvey to the Issuer the estate conveyed, and assign and deliver to the Issuer any interest in property at the time subject to the lien of the Series 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 pursuant to the Series Indenture or the payment of any amounts payable to the Credit Facility Provider or the Construction Lender.

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 will be sufficient to pay, when due, the principal or redemption price, if applicable, and interest due and to become due on such Bond on the redemption date or maturity date thereof, as the case may be; (c) in the case of Bonds which do not mature or will not be redeemed within 60 days of such deposit, the Trustee 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 (d) 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.

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 Series Indenture relating to redemption of the Bonds have been met with respect to such redemption.

### **Construction Lender**

If prior to the Loan Conversion Date the Bonds have been defeased as described in the Series Indenture, and the Trustee shall receive a written statement from the Construction Lender stating that money is owed to the Construction Lender on account of the Bonds and/or the Bond Mortgage Loan, whether with respect to the Construction Loan, the Construction Phase Credit Facility, if applicable, or any other Construction Loan Document or otherwise in connection with the Bonds or the Bond Mortgage Loan, the Trustee shall, upon receipt of written notification from Freddie Mac that all amounts due and owing to Freddie Mac under the Reimbursement Agreement and the Reimbursement Mortgage have been paid in full, prior to cancellation and discharge of the Series Indenture and prior to any reconveyance, assignment and delivery to the Borrower of the Trust Estate or any part of it, pay over, assign and deliver to the Construction Lender so much of (and not to exceed) the Trust Estate as shall be necessary to fully pay, satisfy and discharge all amounts due and owing to the Construction Lender in respect of the Bonds and the Bond Mortgage Loan, whether with respect to the Construction Loan Documents or otherwise in connection with the Bonds or the Bond Mortgage Loan, as determined by the Construction Lender, in its sole and absolute discretion.

## **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 described 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 Series 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 Series Indenture described in the paragraph below.

## **Payment of Bonds After Discharge of Indenture**

Notwithstanding any provisions of the Series 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 this heading shall be held uninvested and without liability for interest thereon.

## **Deposit of Money or Securities with Trustee**

Whenever in the Series 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.

## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT

*The following is a brief 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, copies of which are on file with the Trustee.*

The provisions set forth below are applicable on and after the Delivery Date.

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

The Bond Mortgage Loan shall (i) be evidenced by the Bond Mortgage Note; (ii) be initially secured by the Credit Facility and the Bond Mortgage; (iii) be in the principal amount of \$7,250,000; (iv) bear interest as provided in the Bond Mortgage Note; (v) provide for principal and interest payments in accordance with the Bond Mortgage Note; 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 herein and in the Bond Mortgage Note.

From and after the Loan Conversion Date, the Servicer shall service the Bond Mortgage Loan pursuant to the Commitment and the Guide. The Issuer, the Trustee and the Borrower acknowledge and agree that (i) selection or removal of any Servicer is in the sole and absolute discretion of the Credit Facility Provider; (ii) neither the Issuer nor the Trustee shall terminate or attempt to terminate any Servicer as the servicer for the Bond Mortgage Loan or appoint or attempt to appoint a substitute servicer for the Bond Mortgage Loan; (iii) the Commitment and the Guide are each subject to amendment without the consent of the Trustee, the Issuer or the Borrower; and (iv) none of the Trustee, the Issuer or the Borrower shall have any rights under, or be a third party beneficiary of, the Guide. The Servicer shall have the right to collect all payments made by the Borrower in connection with the Bond Mortgage Loan (from and after the Loan Conversion Date) and to receive copies of all reports and notices provided for by the Bond Financing Documents.

#### **Payments Under the Bond Mortgage Note; 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 or otherwise. The obligation of the Borrower to make the payments set forth in the Series Indenture will be an independent and separate obligation of the Borrower from its obligation to make payments under the Bond Mortgage Note, provided that in all events payments made by the Borrower under and pursuant to the Bond Mortgage Note will be credited against the Borrower's obligations under the Financing Agreement on a dollar for dollar basis. If for any reason the Bond Mortgage Note or any provision of the Bond Mortgage Note will 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 will be deemed to be the obligation of the Borrower pursuant to the Financing Agreement to the full extent permitted by law and such holding will not invalidate or render unenforceable any of the provisions of the Series Indenture and will not serve to discharge any of the Borrower's payment obligations under the Financing Agreement or eliminate the credit against such obligations to the extent of payments made under the Bond Mortgage Note.

The Borrower acknowledges and agrees the Servicer, from and after the Loan Conversion Date, may collect monthly payments from the Borrower with respect to the Bond Mortgage Loan in accordance with the Reimbursement Agreement, but such payments shall not be credited against the principal or

interest due with respect to the Bond Mortgage Loan or the Bond Mortgage Note until and only to the extent such amounts are used to reimburse the Credit Facility Provider for amounts paid under the Credit Facility to pay principal of or interest on the Bonds.

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, 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 Series Indenture or any other documents contemplated by the Financing Agreement or by the Bond Mortgage Loan Documents will be absolute and unconditional and will not be subject to diminution by setoff, recoupment, counterclaim, abatement or otherwise.

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

The payments to be made by the Borrower under the Bond Mortgage Note include certain moneys to be paid in respect of, among others, the Bond Fee Component, the Special Issuer Fee, the Ordinary Servicing Fees and Expenses, the Freddie Mac Credit Enhancement Fee, any annual rating maintenance fees of the Rating Agency and amounts required to be deposited in the Custodial Escrow Account, if any, 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 Special Issuer Fee, the Ordinary Servicing Fees and Expenses, the Freddie Mac Credit Enhancement Fee, 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 will be payable from moneys on deposit in the Administration Fund as provided in the Series Indenture or from other moneys of the Borrower, to the extent that moneys in the Administration Fund is insufficient for such purposes. All other fees and expenses will be payable from moneys of the Borrower as provided in the Financing Agreement.

The Borrower shall pay (or cause to be paid by the Trustee, to the extent paid from money on deposit in the Administration Fund or the Cost of Issuance Fund, as applicable), in consideration of the funding of the Bond Mortgage Loan, the following fees, expenses and other money payable in connection with the Bond Mortgage Loan as set forth in the Financing Agreement.

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

The Borrower shall have the option to prepay the Bond Mortgage Loan in full or in part prior to the payment and discharge of all the outstanding Bonds in accordance with the provisions of the Bond Mortgage Note, the Series Indenture and the Financing Agreement, and only with the prior written consent of the Credit Facility Provider and the payment of any amount due under the next succeeding paragraph. The Borrower will 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 Series Indenture.

The Bonds are subject to redemption in accordance with the terms and conditions set forth in the Series Indenture. In connection with any prepayment, whether optional or mandatory, in addition to all other payments required under the Bond Mortgage Note, the Borrower will pay, or cause to be paid to the Servicer (from and after the Loan Conversion Date) 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 Series Indenture and the Reimbursement

Agreement. The Borrower shall provide notice of the prepayment to the Issuer, the Trustee, the Credit Facility Provider, the Servicer and the Construction Lender 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**

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.

### **Compliance With Applicable Laws**

All work performed in connection with the Project will be performed in strict compliance with all applicable federal, state, county and municipal laws, ordinances, rules and regulations now in force or that may be enacted hereafter.

### **Tax Covenants of the Borrower**

The Borrower has covenanted that it will at all times comply with the terms of the Tax Certificate and the Regulatory Agreement and that it will not take, or permit to be taken on its behalf, any action which would cause the interest payable on the Bonds to be included in gross income, for federal income tax purposes, and will take such action as may be necessary in the opinion of Bond Counsel to continue such exclusion from gross income, including, without limitation, the preparation and filing of all statements required to be filed by it in order to maintain the exclusion (including, but not limited to, the filing of all reports and certifications required by the Regulatory Agreement).

### **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;

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

extension of such time if corrective action is instituted by the Borrower within such period and diligently pursued until the failure is corrected;

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

Nothing contained in the Financing Agreement is intended to amend or modify any of the provisions of the Bond Financing Documents or to bind the Issuer, the Trustee, the Credit Facility Provider, the Servicer or the Construction Lender 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 Series 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 Series 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 herein, 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 Series Indenture 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 "Remedies on Default" above will be applied in accordance with the provisions of the Series Indenture. Any cure of an Event of Default tendered by a partner of the Borrower (or affiliate thereof) shall be accepted as if such cure had been made by Borrower.

The provisions of "Remedies on Default" are subject to the further limitation that if, after any Event of Default all amounts which would then be payable under the Series Indenture 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, 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 Event of Default existing under the Series Indenture, then and in every such case such Event of Default under the Series Indenture 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. Any cure of an Event of Default tendered by a partner of the Borrower (or affiliate thereof) shall be accepted as if such cure had been made by the Borrower.

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## APPENDIX D

### 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 Series 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 Elk Grove, California.

“County” means the County of Sacramento, California.

“Deed of Trust” means the “Bond Mortgage” as defined in the Series 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 United States 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 under the Regulatory Agreement 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.

“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 Section 7 of the Regulatory Agreement.

“Rental Payments” means the rental payments paid by the occupant of a unit, excluding any supplemental rental assistance to the occupant from the State, the federal government, or any other public agency, but including any mandatory fees or charges imposed on the occupant by the Borrower as a condition of occupancy of the unit.

“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 constructed, 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 not more than one unit set aside for a resident manager 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 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 of the Regulatory Agreement and ending on the termination of the Qualified Project Period on a continuous, "first-come, first-served" basis to members of the general public which for purposes of the Regulatory Agreement means the general senior population (pursuant to California Civil Code Section 51.3), 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 one dwelling unit by a resident manager or maintenance personnel, any of whom may be the Borrower.

(h) The Borrower shall deliver to the Administrator and the Lender, (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 will 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 will be redetermined.

(b) No tenant qualifying as a Low Income Tenant upon initial occupancy will 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 will continue to be treated as a Low Income Unit for purposes of the 40% requirement of paragraph (a) above 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 hereafter 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, the Issuer or the Trustee, copies of Income Certifications for Low Income Tenants commencing or continuing occupation of a Low Income Unit will be attached to the Certificate of Continuing Program Compliance or the Project Status Reports to be filed hereunder, or shall otherwise be submitted to the Administrator, the Issuer and/or the Trustee, as requested.

(d) The Borrower will 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 a pay stub for the most recent pay period, (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.

(e) 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 Trustee, the Servicing Agent, the Lender, 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.

(f) The Borrower will prepare and submit to the Issuer, 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 will 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).

(g) For the Qualified Project Period, all tenant leases or rental agreements will be subordinate to the Regulatory Agreement and the Deed of Trust. All leases pertaining to Low Income Units will 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 will 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 Trustee, the Lender, 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 will 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 a 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 Section 4(c) and that if upon any such certification the Gross Income of tenants in such unit exceeds the applicable income limit under Section 4(b), 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 residential 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

(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 the provisions of the Regulatory Agreement described in paragraph (a) of this section will remain available to any eligible tenant occupying a reserved unit at the date of such expiration or termination, at the rent determined by the provisions of the Regulatory Agreement described in paragraph (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 will indemnify the Issuer and the Trustee as provided in the Regulatory Agreement and, with respect to the Trustee, 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 CDLAC Resolution No. 11-60 relating to the Project adopted on May 18, 2011 (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. 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 Series 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 and the Trustee 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, the Trustee and the Borrower upon receipt by the Issuer and the Trustee 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.*** (a) Restrictions on sale or transfer of the Project or of any interest in the Borrower, Issuer and/or Trustee consents, transferee agreements, transferee criteria and requirements, opinion requirements, assumption fees, transfer fees, penalties and the like 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.

(b) 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 Series Indenture to the contrary:

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

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

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

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

The foregoing prohibitions and limitations are not intended to limit the rights of the Issuer or the Trustee 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 or the Trustee may seek specific performance of the Regulatory Agreement or enjoin acts which may be in violation of the Regulatory Agreement or unlawful, but neither the Issuer nor the Trustee may seek any form of monetary recovery from the Borrower, although the Issuer may seek to enforce a claim for indemnification, provided that no

obligation of the Borrower under the 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, the Trustee or any other person, and all such obligations shall be, and by the Rider are, subordinate in priority, in right to payment and in all other respects to the obligations, liens, rights (including without limitation the right to payment) and interests arising or created under the Bond Mortgage Loan Documents. Accordingly, neither the Issuer nor the Trustee shall have the right to enforce any monetary obligation other than directly against the Borrower, without recourse to the Project. In addition, any such enforcement must not cause the Borrower to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Borrower under any applicable liquidation, insolvency, bankruptcy, rehabilitation, composition, reorganization, conservation or other similar law in effect now or in the future.

The obligations of any owner under the 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 or the Trustee:

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

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

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

**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," "Requirements of the Housing Law" and "Modification of Covenants" 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 the Trustee, or to cause the Issuer and/or the Trustee 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.

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## APPENDIX E

### SUMMARY OF CERTAIN PROVISIONS OF THE INTERCREDITOR AGREEMENT

*The Issuer, the Trustee, Freddie Mac and the Construction Lender have agreed upon their respective rights arising from an Event of Default under any of the Bond Financing Documents or the Bond Mortgage Loan Documents relating to the Bonds 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.*

The Issuer, the Trustee, Freddie Mac and the Construction Lender will agree upon their respective rights arising from an Event of Default under the Bond Financing Documents in an Intercreditor Agreement, dated as of the date of the Series Indenture (the “Intercreditor Agreement”). Under the terms of the Intercreditor Agreement, the Issuer, the Trustee, the Construction Lender 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 prior written consent 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, is to 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 or the Trustee to specifically enforce the Regulatory Agreement in order to provide for operation of the Project in accordance with the Code and the Act or to enforce other Unassigned Rights or reserved rights of the Trustee; and provided further that such prohibition will not be construed to limit the indemnification rights of the Issuer, the Trustee, the Servicer, Freddie Mac, the Construction Lender or any other indemnified party to enforce its rights against the Borrower under the Financing Agreement, Reimbursement Agreement or the Construction Loan 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.

Provided the Construction Lender is not in default under the Construction Loan, it shall have certain consent rights as provided in the Intercreditor Agreement. Additionally, pursuant to the Construction Phase Financing Agreement, Freddie Mac and the Construction Lender agree to certain conditions to exercising remedies pursuant to the Reimbursement Agreement.

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## APPENDIX F

### SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

*The following is a brief summary of the Reimbursement 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 Reimbursement Agreement, a copy of which is on file with the Trustee.*

#### **Defined Terms**

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

#### **General**

The obligations of the Borrower to Freddie Mac under the Credit Enhancement Agreement will be evidenced by the Reimbursement Agreement. Under the Reimbursement Agreement, the Borrower will be obligated to repay Freddie Mac all sums of money Freddie Mac has advanced to the Trustee under the Credit Enhancement Agreement. The Reimbursement Agreement also provides that the Borrower is to pay the Freddie Mac Credit Enhancement Fee, the Servicing Fees, make scheduled monthly deposits to fund certain reserves (which have been established solely for the benefit of Freddie Mac) and other fees and expenses as provided therein.

#### **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, refunding the Bonds within six months of acquiring the Project, permitting subordinate financings with respect to the Project or prepaying the Bond Mortgage Loan except in accordance with the Reimbursement Agreement;
- (iii) the Borrower fails to observe or perform any other term, covenant, condition or agreement set forth in the Reimbursement Agreement, which failure continues for a period of 30 days after notice of such failure by Freddie Mac to the Borrower (unless such default cannot with due diligence be cured within 30 days but can be cured within a reasonable period and will not, in Freddie Mac's sole discretion, adversely affect Freddie Mac or result in impairment of the Reimbursement Agreement, the Bond Mortgage, the Reimbursement Mortgage or any other Reimbursement Security Document, in which case no Event of Default shall be deemed to exist so long as Borrower shall have commenced to cure the default or Event of Default within 30 days after receipt of notice, and thereafter diligently and continuously prosecutes such cure to completion); provided, however, no such notice or grace periods will apply in the case of any such failure which could, in Freddie Mac's judgment, absent immediate exercise by Freddie Mac of a right or remedy under the Reimbursement Agreement, result in harm to Freddie Mac,

impairment of the Reimbursement Agreement, the Bond Mortgage, the Reimbursement Mortgage or any other Reimbursement Security Document;

(iv) the Borrower fails to observe or perform any other term, covenant, condition or agreement set forth in any of the other Borrower Documents or there shall otherwise 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) prior to Loan Conversion, the Trustee draws upon the Credit Enhancement Agreement for any reason other than to make a regularly scheduled payment of interest with respect to the Bond Mortgage Loan or a payment of interest and principal in connection with a Pre-Conversion Loan Equalization Payment or the Mandatory Paydown;

(vii) prior to Loan Conversion, Freddie Mac is given a “Direction to Draw” (as defined in the Construction Phase Financing Agreement) by the Construction Lender;

(viii) the occurrence of a “Borrower Default,” “Letter of Credit Default” or “Construction Lender Default” (as such terms are defined in the Construction Phase Financing Agreement) prior to Loan Conversion;

(ix) the Borrower fails to pay the Required Principal Paydown in accordance with the Reimbursement Agreement or shall fail to provide redemption directions to the Trustee if so directed by Freddie Mac;

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

## **Remedies**

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

remedies and recourses with respect to the UCC Collateral granted in the Borrower Documents and any other instrument executed in connection therewith, or existing at common law or equity (including specifically those granted by the Uniform Commercial Code as adopted in the State 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.

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**APPENDIX G**

**FORM OF CREDIT ENHANCEMENT AGREEMENT**

**Freddie Mac Loan (Construction) No.: 534400442**  
**Freddie Mac Loan (Permanent) No.: 534400477**  
**Freddie Mac Loan (Short Term Market (Gap) Bonds) No.: 534400485**

**CREDIT ENHANCEMENT AGREEMENT**

**between**

**FEDERAL HOME LOAN MORTGAGE CORPORATION**

**and**

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

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

**\$3,220,000**

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS**  
**AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS**  
**(VINTAGE AT LAGUNA II) 2009 SERIES A-3**

**and**

**\$4,030,000**

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS**  
**MULTIFAMILY HOUSING REVENUE BONDS**  
**(VINTAGE AT LAGUNA II) 2011 SERIES A**

**Dated as of September 1, 2011**

## **CREDIT ENHANCEMENT AGREEMENT**

**THIS CREDIT ENHANCEMENT AGREEMENT** (this “Agreement”) made and entered into as of September 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 of America, and **WELLS FARGO BANK, NATIONAL ASSOCIATION** (the “Trustee”), a national banking association, duly organized and existing under the laws of the United States of America, in its capacity as Trustee under a Series Indenture dated as of September 1, 2011 (the “Indenture”), between the ABAG Finance Authority For Nonprofit Corporations (the “Issuer”) and the Trustee.

### **WITNESSETH:**

**WHEREAS**, Pursuant to the provisions of 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 (the “Act”) and the Indenture dated as of December 1, 2009 (the “General Indenture”), as amended and supplemented by the Series Indenture dated as of December 1, 2009 (the “First Series Indenture”), as amended by the First Amendment to Indenture, dated as of November 1, 2010 (the “First Amendment”), and as amended by the First Amendment to Series Indenture, dated as of November 1, 2010 (the “First Series Indenture Amendment”, and, together with the General Indenture, the First Series Indenture and the First Amendment, the “Original Indenture”), each between the ABAG Finance Authority For Nonprofit Corporations (the “Issuer” and the Trustee, the Issuer previously issued its ABAG Finance Authority For Nonprofit Corporations Affordable Multifamily Housing Revenue Bonds 2009 Series A (the “Program Bonds”) in the original aggregate principal amount of \$65,780,000 to provide for the financing of multifamily rental housing developments through the New Issue Bond Program of the Housing Finance Agency Initiative announced by the United States Department of the Treasury on October 19, 2009 (the “Program”); and

**WHEREAS**, Pursuant to that certain Series Indenture dated as of September 1, 2011 between the Issuer and the Trustee, (the “Indenture”), the Issuer has agreed to use a portion of the proceeds derived from the sale of the Program Bonds (to be re-designated the ABAG Finance Authority For Nonprofit Corporations Affordable Multifamily Housing Revenue Bonds (Vintage at Laguna II) 2009 Series A-3 in the principal amount of \$3,220,000 (the “2009 Series A-3 Bonds”) on the Delivery Date to make a mortgage loan in the principal amount of \$3,220,000 (the “Series A-3 Bond Mortgage Loan”) to the Borrower, to provide for the financing of a multifamily rental housing development located in the City of City of Elk Grove, California and to be known as Vintage at Laguna II (the “Project”); and

**WHEREAS**, Pursuant to the Act and the Indenture, the Issuer has also determined to issue, simultaneously with the release of the 2009 Series A-3 Bonds, a Series of bonds designated as “ABAG Finance Authority For Nonprofit Corporations Multifamily Housing Revenue Bonds (Vintage at Laguna II) 2011 Series A” in the principal amount of \$4,030,000 (the “Series A Bonds” and together with the 2009 Series A-3 Bonds, the “Bonds”) to make an additional mortgage loan in the principal amount of \$4,030,000 (the “2011 Series A Bond Mortgage Loan” and together with the 2009 Series A-3 Bond Mortgage Loan, the “Bond Mortgage Loan”) to the Borrower to provide additional financing for the Project.

**WHEREAS**, Pursuant to a Financing Agreement between the Issuer, Trustee and the Borrower dated as of September 1, 2011 (the “Financing Agreement”), the proceeds of the Bonds have been used by the Issuer to fund the Bond Mortgage Loan; and

**WHEREAS**, the Borrower's repayment obligations in respect of the Bond Mortgage Loan are evidenced by a promissory note dated September 16, 2011 (together with all riders and addenda thereto, the "Bond Mortgage Note") delivered to the Issuer and assigned to the Trustee and Freddie Mac, as their respective interests may appear pursuant to the Intercreditor Agreement defined below; 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 a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of September 1, 2011 (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, the Borrower has requested that Freddie Mac enter into this Agreement with the Trustee, which permits the Trustee to make draws in an amount equal to Guaranteed Payments with respect to the Bond Mortgage Loan; 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 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**, to further secure Freddie Mac against any loss Freddie Mac may incur as a result of advancing funds under this Agreement prior to the Conversion of the Bond Mortgage Loan, the Borrower has arranged for Citibank, N.A., a national banking association (the "**Construction Lender**") to deposit collateral pursuant to the terms of the Indenture for the benefit of Freddie Mac and on October 1, 2012, to provide to Freddie Mac a clean, unconditional, irrevocable and transferable, standby letter of credit (the "**Construction Letter of Credit**"); and

**WHEREAS**, to evidence the Borrower's reimbursement obligations to the Construction Lender for the collateral deposits and draws made under the Construction Letter of Credit, the Borrower and the Construction Lender are entering into a Construction Loan Agreement contemporaneously with the execution and delivery hereof (the "**Credit Agreement**"); and

**WHEREAS**, to secure the Borrower's reimbursement obligations to the Construction Phase Lender under the Construction Loan Agreement, the Borrower is executing and delivering for the benefit of the Construction Lender a Third Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of September 1, 2011 (the "**Construction Mortgage**") with respect to the Project; and

**WHEREAS**, the rights of the Issuer, the Trustee, the Construction Lender and Freddie Mac to enforce remedies under the Bond Mortgage, the Reimbursement Mortgage and the Construction Mortgage, respectively, are governed by an Intercreditor Agreement dated as of September 1, 2011 among the Issuer, the Trustee and Freddie Mac; and

**WHEREAS**, Citibank, N.A. (the "Servicer") will act as the 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, \$7,250,000) plus an amount equal to the accrued interest on the Bonds Outstanding for up to 189 days, computed on the basis of a 360-day year of twelve (12) thirty (30) day months, as reduced by that amount, if any, previously provided by Freddie Mac to the Trustee for payment of the Guaranteed Payment, such reduction to be in an amount equal to 100% of the amount of such Guaranteed Payment. 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 Section 3.1(a)(iv).

“*Bonds*” means the Series A Bonds and the Series A-3 Bonds.

“*Bond Mortgage*” means the Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of September 1, 2011 together with all riders and addenda thereto, from the Borrower to the Trustee 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 \$7,250,000, comprised of the Series A Bond Mortgage Loan and the Series A-3 Bond Mortgage Loan, 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 September 16, 2011 delivered by the Borrower to the Issuer and assigned by the Issuer to the Trustee and Freddie Mac, as their respective interests may appear pursuant to the Intercreditor Agreement, in the original principal amount of \$7,250,000, together with all riders and addenda thereto, evidencing the Borrower’s obligation to repay the Bond Mortgage Loan, as the same may be amended, modified or supplemented from time to time.

“*Bond Mortgage Payment Date*” means (i) each Interest Payment Date (as defined in the Indenture) while the Bond Mortgage Loan is outstanding, commencing November 16, 2011 and (ii) any other date on which principal of the Bond Mortgage Note is paid.

“*Borrower*” means Laguna Seniors II, L.P., a California limited partnership and any permitted successor to or assignee of its rights and obligations under the Bond Financing Documents.

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

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

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

“*Draw Request*” means a demand for payment delivered by the Trustee to Freddie Mac pursuant to Section 3.1(a)(i) 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).

“*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 that certain Series Indenture dated as of September 1, 2011 between the Issuer and the Trustee pursuant to which the Bonds are issued, re-designated and secured, as the same may be amended, supplemented or restated from time to time.

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

“*Issuer*” means the ABAG Finance Authority For Nonprofit Corporations, and its successors.

“*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* hereto.

“*Pledge Agreement*” means the Pledge, Security and Custody Agreement dated as of September 1, 2011, 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 purchased pursuant to Section 3.06 of the Indenture during the period from and including the date of its purchase in lieu of redemption by the Trustee on behalf of the Borrower with amounts provided by Freddie Mac under this Agreement.

“*Purchase Price*” means, with respect to any Bond purchased in lieu of redemption pursuant to Section 3.06 of the Indenture, 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 September 1, 2011, between the Borrower and Freddie Mac, as the same may be amended, supplemented or restated from time to time.

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

	<b>Interest Component</b>	<b>Principal Component</b>
Required Bond Mortgage Payment	(i) The regularly scheduled payment of interest due on the unpaid principal balance of the Bond Mortgage Loan, adjusted solely as provided in Section 3.4, (ii) upon optional or mandatory prepayment of the Bond Mortgage Loan, all accrued and unpaid interest on the amount prepaid, and (iii) on the maturity date or upon acceleration of the Bond Mortgage Note, all accrued and unpaid interest thereon.	(i) The regularly scheduled payment of principal, on the Bond Mortgage Note, if any, (ii) upon optional or mandatory prepayment of the Bond Mortgage Loan, the principal amount of the Bond Mortgage Note being prepaid and (iii) on the maturity date or upon acceleration of the Bond Mortgage Note, the unpaid principal balance of the Bond Mortgage Note.
Guaranteed Payment	The Interest Component of the corresponding Required Bond Mortgage Payment.	(i) The regularly scheduled payment of principal, on the Bond Mortgage Note, if any (ii) upon optional or mandatory prepayment of the Bond Mortgage Loan, the principal amount of the Bond Mortgage Note being prepaid and (iii) on the maturity date or upon acceleration of the Bond Mortgage Note, the unpaid principal balance of the Bond Mortgage Note.

For the purpose of this Agreement only, regularly scheduled monthly deposits to the Principal Reserve Fund, as 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) January 6, 2044, (d) the date on which the Trustee, after having received sufficient funds to redeem all of the Bonds Outstanding in accordance with the terms of the Indenture, shall have released the lien of the Indenture and shall have paid to Freddie Mac all amounts required to be paid under the Indenture, the Financing Agreement, the Reimbursement Agreement, this Agreement and any other Bond Financing Document, and (e) the day immediately following the effective date of any Alternate Credit Facility.

“*Trustee*” means Wells Fargo Bank, National Association, and its successors and any other corporation or association resulting from or surviving any consolidation or merger to which it or its

successors may be a party and any successor trustee at any time serving as successor trustee under the Indenture.

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

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

## ARTICLE II

### REPRESENTATIONS

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

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

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

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

(a) It is a national banking association, duly organized and existing under the laws of the United States of America, 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 B*** not less than five (5) Business Days prior to the effective date thereof.

### ARTICLE III

#### CREDIT ENHANCEMENT

##### **Section 3.1. Credit Enhancement 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, \$7,250,000) 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 189 days (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*** and ***A-2*** hereto to pay the Guaranteed Payment on the Bond Mortgage Loan, 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, 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) Intentionally Omitted.

(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) Intentionally Omitted.

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

(d) Amounts held in the Revenue Fund, the Redemption Fund and the Bond Fund established under the Indenture (representing Freddie Mac Credit Enhancement Payments, investment earnings thereon and other amounts permitted under the Indenture to be deposited in said Funds) shall be invested and reinvested by the Trustee in accordance with the provisions of Section 4.08 of the Indenture.

(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.

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 therefore 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, Purchase in Lieu of Redemption 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 or purchase in lieu of redemption 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 or purchase in lieu of redemption thereof.

(b) If Freddie Mac pays the Purchase Price of the Bonds in accordance with a purchase in lieu of redemption thereof pursuant to Section 3.06 of the Indenture, subsequent to its date of purchase Freddie Mac or an entity designated by Freddie Mac in accordance with Section 3.06 of the Indenture, as the case may be, may on any day elect to present all or a portion of such Bonds to the Trustee for cancellation pursuant to Section 3.07 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, together with accrued interest thereon to the date of acceleration of the 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, and (ii) 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: [TRUSTEE TO VERIFY]

Bank:	Wells Fargo Bank, National Association
Location:	Minneapolis, Minnesota
ABA No.:	121000248
A/C #:	0001038377
BNF:	Corporate Trust Clearing
Attention:	Grace Yang (213) 614-3320
FFC:	ABAG MF Vintage Laguna 2009 SERIES A-3 and 2011 Series A Credit Facility Account
FBO A/C#:	85582200

## ARTICLE VI

### DEFAULT AND REMEDIES

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

- (a) Failure by Freddie Mac to pay any amounts due under Section 3.1 or 3.2 when due; or
- (b) Failure by Freddie Mac to perform or observe any of its covenants, agreements or obligations hereunder, except a failure described in (a) above, if the same shall remain uncured for a period of 45 days after written notice of such failure shall have been given by the Trustee to Freddie Mac; provided, however, that if such default is curable but requires acts to be done or conditions to be remedied which, by their nature, cannot be done or remedied within such 45-day period, no Event of Default shall be deemed to have occurred if Freddie Mac shall commence such acts or remedies within such 45-day period and thereafter, in the opinion of the Trustee, diligently pursue the same to completion; or
- (c) any governmental authority shall require Freddie Mac to suspend its operations for more than three (3) Business Days (unless such requirement is applicable to corporate instrumentalities or financial institutions generally in the United States), or require the sale or transfer of all or substantially all of the assets of Freddie Mac.

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

- (1) by action at law or in equity, require Freddie Mac to perform its covenants and obligations hereunder, or enjoin any acts which may be unlawful or in violation of the rights of the Trustee; and
- (2) take whatever other action at law or in equity may appear necessary or desirable to enforce any monetary obligation of Freddie Mac hereunder, or to enforce any other obligations, covenant or agreement of Freddie Mac hereunder.

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

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

**Section 6.4. *Restoration of Rights and Remedies.*** If the Trustee shall have instituted any proceeding to enforce any right or remedy under this Agreement and such proceeding has been

discontinued or abandoned for any reason, or has been determined adversely to the party instituting such proceeding, then and in every such case Freddie Mac, and the Trustee shall, subject to any determination in such proceeding, be restored to their former positions hereunder and thereafter all rights and remedies of the Trustee shall continue as though no such proceeding had been instituted.

## ARTICLE VII

### MISCELLANEOUS PROVISIONS

**Section 7.1. *Interest of Bondholders.*** The payments to be made by Freddie Mac hereunder are to be pledged by the Trustee to secure payment of the principal or redemption price of and interest on the Bonds (including the Purchase Price in connection with any purchase in lieu of redemption pursuant to Section 3.06 of the Indenture).

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

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

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

To Freddie Mac:           Federal Home Loan Mortgage Corporation  
8100 Jones Branch Drive  
Mail Stop B4F  
McLean, 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  
Mail Stop 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  
Mail Stop B2E  
McLean, Virginia 22102  
Attention: Multifamily Operations – Loan Accounting  
Facsimile: (571) 382- 4798  
Telephone: (703) 714-4177

To the Trustee: Wells Fargo Bank, National Association  
Corporate, Municipal & Escrow Services  
707 Wilshire Boulevard, 17<sup>th</sup> Floor  
MAC: E2818-176  
Los Angeles, CA 90017  
Attention: Corporate Trust Services  
Telephone: (213) 614-3320  
Fax: (213) 614-3355

Electronic notices  
of interest rates  
shall be delivered to: [grace.yang@wellsfargo.com](mailto:grace.yang@wellsfargo.com)

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

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

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

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

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

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

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

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

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

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

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

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

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

[Signatures follow]

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

**FEDERAL HOME LOAN MORTGAGE  
CORPORATION**

By: \_\_\_\_\_  
Name: Monty Childs  
Title:

[Freddie Mac Signature Page to *Vintage at Laguna II* Credit Enhancement Agreement]

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

By: \_\_\_\_\_  
Name: Grace Yang  
Title: Vice President

[Trustee's Signature Page to *Vintage at Laguna II* Credit Enhancement Agreement]

**EXHIBIT A-1**

**FORM OF NOTICE (Series A-3 BONDS) UNDER SECTION 3.1(a)(i)**

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

Project Name: Vintage at Laguna II  
Related Bonds: \$3,220,000 ABAG Finance Authority For Nonprofit Corporations Affordable Multifamily Housing Revenue Bonds (Vintage at Laguna II) 2009 Series A-3  
CUSIP Number: 00037N NY8  
Loan No.: 534400442 (Construction) 534400477 (Permanent) 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 September 1, 2011 relating to the Bond Mortgage Loan securing the Bonds referenced above**

Bond Mortgage Payment Date: \_\_\_\_\_, \_\_\_\_\_

Funds on deposit in the Project Account of the Bond Mortgage Loan Fund: \$ \_\_\_\_\_

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 B**  
**FREDDIE MAC MULTIFAMILY**

**(I) BOND WIRE INSTRUCTION CHANGE REQUEST FORM**

<i>Freddie Mac Internal Use:</i>			
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 B 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  
**[INSERT CORPORATION NAME]**

DATE: \_\_\_\_\_

WHEREAS, the Board of Directors (the “Board”) of **[INSERT CORPORATION NAME]** (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 **[INSERT CORPORATION’S NAME]**; 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 **[INSERT CORPORATION’S NAME]** 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 \_\_\_\_\_, duly organized and existing under the laws of \_\_\_\_\_, 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: \_\_\_\_\_  
Name: \_\_\_\_\_  
Name: \_\_\_\_\_  
Name: \_\_\_\_\_

Title: \_\_\_\_\_  
Title: \_\_\_\_\_  
Title: \_\_\_\_\_  
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 H-1

### FORM OF OPINION OF BOND COUNSEL RELATING TO THE 2009 SERIES A-3 BONDS

September 16, 2011

ABAG Finance Authority For Nonprofit Corporations  
Oakland, California

ABAG Finance Authority For Nonprofit Corporations  
Multifamily Housing Revenue Bonds  
(Vintage at Laguna II)  
2011 Series A  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Statewide Communities Development Authority (the "Issuer") in connection with the issuance of its \$4,030,000 aggregate principal amount of Multifamily Housing Revenue Bonds (Vintage at Laguna II) 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 the Indenture (the "General Indenture"), dated as of December 1, 2009, as amended and supplemented by the Series Indenture (the "First Series Indenture"), dated as of December 1, 2009, as further amended by the First Amendment to Indenture (the "First Amendment"), dated as of November 1, 2010, as further amended by the First Amendment to Series Indenture (the "First Series Indenture Amendment"), dated as of November 1, 2010, and as further supplemented and amended by a Series Indenture (the "Series Indenture" and, together with the General Indenture, the First Series Indenture, the First Amendment and the First Series Indenture Amendment, the "Indenture"), dated as of September 1, 2011, each by and 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 Laguna Seniors II, L.P., a California limited partnership (the "Borrower"), pursuant to a Financing Agreement, dated as of September 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. We have assumed, without undertaking to verify, the genuineness of such documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the Issuer.

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. 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 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 any 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" within the meaning of Section 147(a) of the Code. 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

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## APPENDIX H-2

### FORM OF OPINION OF BOND COUNSEL RELATING TO THE 2011 SERIES A BONDS

September 16, 2011

ABAG Finance Authority For Nonprofit Corporations  
Oakland, California

Federal Home Loan Mortgage Corporation  
McLean, Virginia

Federal National Mortgage Association  
Washington, D.C.

ABAG Finance Authority For Nonprofit Corporations  
Affordable Multifamily Housing Revenue Bonds  
(Vintage at Laguna II)  
2009 Series A-3  
(Final Opinion)

Ladies and Gentlemen:

We acted as bond counsel to the California Statewide Communities Development Authority (the “Issuer”) in connection with the original delivery on December 30, 2009 by the Issuer of its Affordable Multifamily Housing Revenue Bonds 2009 Series A, in the aggregate principal amount of \$65,780,000 (the “2009 Original Bonds”). The 2009 Original Bonds were issued pursuant to the provisions of 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 pursuant to the Indenture (the “General Indenture”), dated as of December 1, 2009, by and between the Issuer and Wells Fargo Bank, National Association, as trustee (the “Trustee”), as supplemented by the Series Indenture (the “First Series Indenture”), dated as of December 1, 2009, by and between the Issuer and the Trustee. On the date hereof, \$3,220,000 principal amount of the 2009 Original Bonds (the “2009 Released Bonds”) will be released and delivered pursuant to the General Indenture, the First Series Indenture, the First Amendment to Indenture, dated as of November 1, 2010, by and between the Issuer and the Trustee (the “First Amendment”), the First Amendment to Series Indenture, dated as of November 1, 2010, by and between the Issuer and the Trustee (the “First Series Indenture Amendment” and, together with the General Indenture, the First Series Indenture and the First Amendment, the “Original Indenture”), and a Series Indenture (the “Released Bonds Series Indenture” and, together with the Original Indenture, the “Indenture”), dated as of September 1, 2011, by and between the Issuer and the Trustee. The Released Bonds Series Indenture provides that the 2009 Released Bonds are issued for the purpose of making a loan to Laguna Seniors II, L.P., a California limited partnership (the “Borrower”) pursuant to a Financing Agreement (the “Financing Agreement”), dated as of September 1, 2011, by and among the Issuer, the Trustee and the Borrower. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Released Bonds Series 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 have 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 2009 Released Bonds has concluded with their release, 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. Pursuant to the design of and the accompanying commentary about the New Issue Bond Program by the United States Treasury, we also have assumed that the 2009 Released Bonds are treated as reissued on the date hereof. 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 2009 Released 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 2009 Released 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 agencies 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 Released Bonds Series 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. No opinion is expressed in this letter with respect to any 2009 Original Bonds that are not 2009 Released Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the 2009 Released 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 the lawful authority to perform its obligations in accordance with the law and the terms and conditions of the Indenture.

2. The 2009 Released Bonds have been duly executed and issued and constitute the valid and binding limited obligations of the Issuer, payable solely from the Trust Estate pledged therefor under the Released Bonds Series Indenture.

3. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Released Bonds Series Indenture creates a valid pledge, to secure the payment of the principal of, premium, if any, and interest on the 2009 Released Bonds, of the

Trust Estate, including amounts held in any fund or account held by the Trustee under the Released Bonds Series Indenture (except amounts held in the Cost of Issuance Fund, the Administration Fund, the Freddie Mac Collateral Fund, the Credit Facility Reimbursement Fund, the Borrower Equity Account, and the Rebate Fund established pursuant to the Released Bonds Series Indenture), subject to the provisions of the Released Bonds Series Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Released Bonds Series Indenture.

4. The 2009 Released 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 Released Bonds Series Indenture.

5. Interest on the 2009 Released 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 2009 Released Bond for any period during which such 2009 Released 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 2009 Released Bonds were used or is a "related person" within the meaning of Section 147(a) of the Code. Interest on the 2009 Released 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 2009 Released 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 2009 Released Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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## APPENDIX I

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) dated September 16, 2011, is executed and delivered by Laguna Seniors II, L.P., a California limited partnership (the “Borrower”) and Wells Fargo Bank, National Association, as trustee and dissemination agent (the “Trustee” and the “Dissemination Agent”) in connection with the release by the ABAG Finance Authority For Nonprofit Corporations (the “Issuer”) of \$3,220,000 aggregate principal amount of the 2009 Series A-3 Bonds (as defined herein) and the issuance of \$4,030,000 aggregate principal amount the 2011 Series A Bonds (as defined herein).

Pursuant to the provisions of 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 (the “Act”) and the Indenture dated as of December 1, 2009 (the “General Indenture”), as amended and supplemented by the Series Indenture dated as of December 1, 2009 (the “First Series Indenture”), as amended by the First Amendment to Indenture, dated as of November 1, 2010 (the “First Amendment”), and as amended by the First Amendment to Series Indenture, dated as of November 1, 2010 (the “First Series Indenture Amendment” and, together with the General Indenture, the First Series Indenture, the First Amendment, the “Original Indenture”), each between the Issuer and Trustee, the Issuer previously issued its ABAG Finance Authority For Nonprofit Corporations Affordable Multifamily Housing Revenue Bonds, 2009 Series A (the “Program Bonds”) in the original aggregate principal amount of \$65,780,000 to provide for the financing of multifamily rental housing developments through the New Issue Bond Program of the Housing Finance Agency Initiative announced by the United States Department of the Treasury on October 19, 2009 (the “Program”).

The Issuer has agreed to use the proceeds derived from the sale of a portion of the Program Bonds (to be re-designated the ABAG Finance Authority For Nonprofit Corporations Affordable Multifamily Housing Revenue Bonds (Vintage at Laguna II) 2009 Series A-3 in the principal amount of \$3,220,000 (the “2009 Series A-3 Bonds”)) on September 16, 2011 (the “Release Date”) pursuant to the Series Indenture dated as of September 1, 2011 between the Issuer and the Trustee (the “Series Indenture” and, together with the Original Indenture, the “Indenture”) to make a mortgage loan in the principal amount of \$3,220,000 (the “2009 Series A-3 Bond Mortgage Loan”) to the Borrower, to provide for the financing of a multifamily rental housing development located in the City of Elk Grove, California and to be known as Vintage at Laguna II (the “Project”).

Pursuant to the Act the General Indenture, the First Amendment and the Series Indenture, the Issuer has determined to issue, simultaneously with the release of the 2009 Series A-3 Bonds, a series of bonds designated the “ABAG Finance Authority For Nonprofit Corporations Multifamily Housing Revenue Bonds (Vintage at Laguna II) 2011 Series A” in the principal amount of \$4,030,000 (the “2011 Series A Bonds” and together with the 2009 Series A-3 Bonds, the “Bonds”) to make an additional mortgage loan in the principal amount of \$4,030,000 (the “2011 Series A Bond Mortgage Loan” and together with the 2009 Series A-3 Bond Mortgage Loan, the “Bond Mortgage Loan”) to the Borrower to provide additional financing for the Project

The Bond Mortgage Loan will be made pursuant to a Financing Agreement dated as of September 1, 2011 (the “Financing Agreement”), by and among the Issuer, the Trustee and the Borrower, and upon the satisfaction of various conditions contained in the Series Indenture.

Upon the issuance of the Program Bonds, the Issuer entered into its Continuing Disclosure Agreement dated as of January 12, 2010 (the “Original Continuing Disclosure Agreement”) with respect

to the Program Bonds. The Original Continuing Disclosure Agreement provided that upon the release of a portion of the proceeds of Program Bonds to a Borrower on a Release Date, the Issuer would require, with respect to the Series of Bonds which represents the proceeds released to that Borrower, that the Borrower enter into a Continuing Disclosure Agreement in substantially the same form as the Original Continuing Disclosure Agreement with respect to such Series of Bonds (each, a “Substitute Continuing Disclosure Agreement”), and from and upon the execution and delivery of such a Substitute Continuing Disclosure Agreement, accompanied by an opinion of Disclosure Counsel, that such Substitute Continuing Disclosure Agreement requires the provision by the Borrower of the information required to be provided with respect to such Series of Bonds by Rule 15c2-12, including the provision of Annual Reports with respect to such Series of Bonds, then any and all obligations of the Issuer to provide continuing disclosure under the Original Continuing Disclosure Agreement with respect to such series of Bonds would cease and be of no further force and effect.

The above described provisions of the Original Continuing Disclosure Agreement having been satisfied with respect to the 2009 Series A-3 Bonds, in order to provide for such a Substitute Continuing Disclosure Agreement with respect to the 2009 Series A-3 Bonds, pursuant to the Financing Agreement, the Borrower, the Dissemination Agent and the Trustee covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Borrower and the Dissemination Agent for the benefit of the Bondholders and in order to comply 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 Disclosure Agreement, and has no liability to any person, including any Holder of the Bonds, 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 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, Section 3 and 4 of this Disclosure Agreement.

“Business Day” shall mean any day which is not a Saturday, Sunday or other day on which commercial banks in the States of California and New York are authorized or required by law to be closed.

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

“Listed Events” shall mean any of the events listed in Section 5(a) of this 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](http://www.emma.msrb.org).

“Rule” shall mean 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.

“Tax-Exempt” shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

Section 3. Provision of Annual Reports.

(a) The Borrower shall, or shall direct the Dissemination Agent to, not later than June 1 of each year, commencing in 2011, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Borrower shall provide the Annual Report to 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 as provided in Section 4 of this Disclosure Agreement.

(b) If by fifteen (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 shall contact the Borrower to determine if the Borrower is in compliance with subsection (a).

(c) 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 shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) file a report with the Borrower and the Trustee certifying whether it has received and provided the Annual Report pursuant to this Disclosure Agreement, and if it has received the Annual Report from the Borrower, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The Borrower’s Annual Report shall contain or incorporate by reference the following:

1. Average annual occupancy of the Project for the preceding calendar year.
2. Operating data for the Project for the preceding calendar year, including total revenue, operating expenses, net operating income, total debt service and net cash flow.
3. Financial information or operating data regarding the Project or Borrower not encompassed by clauses (1) and (2) above but nevertheless of the type included in the Official Statement relating to the Bonds.
4. The foregoing data shall be based upon the audited financial statements to the extent the above information is covered in those audited financial statements, and otherwise may be unaudited.

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 each of the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Borrower shall 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”):

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulty;
4. Unscheduled draws on credit enhancements reflecting financial difficulty;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. 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;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Borrower. For purposes of this clause (12), 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;
13. 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
14. 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 a Listed Event or an event that might constitute a Listed Event, provide the Borrower with written notice. The Dissemination Agent shall not be deemed to have actual knowledge of those items listed in clauses (ii), (vi), (vii), (x), (xi), (xii) or (xiii) without the Dissemination Agent having received written notice of such event.

(c) Whenever the Borrower obtains knowledge of the occurrence of a Listed Event or an event that might constitute a Listed Event, because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Borrower shall, within five (5) Business Days after obtaining such knowledge and in any event no more than seven (7) Business Days after the occurrence of such event, determine if such event is in fact a Listed Event and provide the Dissemination Agent with written notice pursuant to subsections (d) or (e) below, as applicable.

(d) If the Borrower determines that an event is a Listed Event, the Borrower shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent to report the occurrence pursuant to subsection (f). Such notice shall include sufficient information concerning the Listed Event to enable the Dissemination Agent to report the occurrence.

(e) If the Borrower determines that an event is not a Listed Event, 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 instructed by the Borrower to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB within three (3) Business Days of its receipt of such instructions from the Borrower and in any event no more than ten (10) Business Days after the occurrence of such event. Notwithstanding the foregoing, notice of Listed Events described in clauses (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. Termination of Reporting Obligation. The Borrower's obligation under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If the Borrower's obligations under the Financing Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Borrower and the original Borrower shall have no further responsibility hereunder.

Section 7. Dissemination Agent. The Borrower may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such agent, or such Dissemination Agent may resign upon 30 days prior written notice to the Borrower, with or without the Borrower appointing a successor Dissemination Agent. The Dissemination Agent shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out-of-pocket expenses (including reasonable fees and expenses of its counsel).

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Borrower and the Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Issuer, the Borrower and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this 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 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 Disclosure Agreement, the Borrower shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Borrower to comply with any provision of this Disclosure Agreement, the Trustee, subject to prior receipt of indemnification satisfactory to it and payment of its fees and expenses, including fees and expenses of its counsel (whether incurred before trial, at trial, on appeal or in any bankruptcy or arbitration proceeding), at the written request of the Issuer or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture or the Financing Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Borrower to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Provided the Trustee is acting as Dissemination Agent, Article VII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Trustee and Dissemination Agent shall be entitled to the 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 Disclosure Agreement, and the Borrower agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses including attorneys fees (whether incurred before trial, at trial, on appeal or in any bankruptcy or arbitration proceeding) incurred in performing its duties hereunder and in defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's negligence or willful misconduct. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and the Trustee and payment of the Bonds. The Dissemination Agent shall have no obligation or liability for the accuracy or completeness of any Annual Report or report of Listed Event or Events provided in accordance with Sections 3 and 5 hereunder, and no obligation to review or make any determination of materiality made in accordance with Section 5 hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to them hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Borrower, the Bondholders, or any other party. Neither the Trustee nor 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 this Agreement.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Borrower, the Trustee, the Dissemination Agent, and holders from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Termination of Original Continuing Disclosure Agreement with respect to 2009 Series A-3 Bonds. Pursuant to the provisions of Section 13 of the Original Continuing Disclosure Agreement, the parties acknowledge that from and after the date of execution and delivery of this Continuing Disclosure Agreement on the Release Date, the provisions of the Original Continuing Disclosure Agreement shall be terminated and shall have no further force and effect with respect to the 2009 Series A-3 Bonds.

Section 14. Counterparts. This 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.

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[Borrower's Signature Page to the Continuing Disclosure Agreement]

**LAGUNA SENIORS II, L.P.**, a California limited partnership

By: USA Laguna Seniors II, Inc., a California corporation  
Its: Administrative General Partner

By: \_\_\_\_\_  
Name: Geoffrey C. Brown  
Title: President

By: Riverside Charitable Corporation, a California  
nonprofit public benefit corporation  
Its: Co-Managing General Partner

By: \_\_\_\_\_  
Name: Kenneth S. Robertson  
Title: President

By: Life Skills Training and Educational Programs, Inc.,  
A California nonprofit public benefit corporation  
Its: Managing General Partner

By: \_\_\_\_\_  
Name: Craig Gillett  
Title: President

[Signatures Continued on Next Page]

[Counterpart Signature Page to the Continuing Disclosure Agreement]

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

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**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: \$3,220,000 Affordable Multifamily Housing Revenue  
Bonds (Vintage at Laguna II) 2009 Series A-3 and \$4,030,000 Multifamily  
Housing Revenue Bonds (Vintage at Laguna II) 2011 Series A

Name of Borrower: Laguna Seniors II, L.P., a California limited partnership

Date of Issuance of  
Bonds: \_\_\_\_\_

NOTICE IS HEREBY GIVEN that Laguna Seniors II, L.P. has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated September 16, 2011, between Laguna Seniors II, L.P. and Wells Fargo Bank, National Association. [The Borrower has notified the Dissemination Agent and Trustee that the Borrower anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

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

By: \_\_\_\_\_  
Authorized Officer

cc: Borrower

**EXHIBIT B**

**ANNUAL FINANCIAL INFORMATION**

\$3,220,000

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS  
AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS  
(VINTAGE AT LAGUNA II) 2009 SERIES A-3

And

\$4,030,000

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS  
AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS  
(VINTAGE AT LAGUNA II) 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 Expenses<sup>1</sup>

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 [\_\_\_\_] %.

<sup>1</sup>Excludes depreciation and other non-cash expenses, includes management fee.

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