



## MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

### Term Bonds

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>CUSIP</b>
January 1, 2040	\$15,520,000	3.83%	100%	00037N NM4

(Plus accrued interest)

The Bonds are subject to mandatory tender and purchase prior to January 1, 2028 under certain circumstances. See “THE BONDS – Mandatory Purchase of Bonds.”

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

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

The Issuer has not provided or approved any information in this Official Statement except with respect to the information under the caption “THE ISSUER” and “ABSENCE OF LITIGATION – The Issuer.” Although this Official Statement contains information from sources believed to be reliable, the Issuer makes no representation as to the contents of this Official Statement other than those referred above, and neither the Issuer nor the Borrower makes any representation as to the suitability of the Bonds for any investor, the feasibility or performance of the Project, or compliance with any securities, tax or other laws or regulations. The Issuer’s role is limited to the issuance of the Bonds.

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

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

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

**THIS OFFICIAL STATEMENT DESCRIBES THE BONDS, AND IS INTENDED SOLELY FOR USE WITH RESPECT TO THE BONDS, PRIOR TO JANUARY 1, 2028 OR ANY EARLIER MANDATORY TENDER DATE AND AT NO TIME THEREAFTER.**

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## OFFICIAL STATEMENT

**\$15,520,000**

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS  
MULTIFAMILY HOUSING REVENUE BONDS  
(VINTAGE OAKS SENIOR APARTMENTS)  
2009 SERIES A**

### INTRODUCTION

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

**THIS OFFICIAL STATEMENT DESCRIBES THE BONDS, AND IS INTENDED SOLELY FOR USE WITH RESPECT TO THE BONDS, PRIOR TO JANUARY 1, 2028 OR ANY EARLIER MANDATORY TENDER DATE (AS DESCRIBED HEREIN) AND AT NO TIME THEREAFTER.**

#### General

The purpose of this Official Statement is to provide information in connection with the issuance by ABAG Finance Authority for Nonprofit Corporations (the “Issuer”) of the above-captioned bonds (the “Bonds”). The Bonds are being issued pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California in accordance with Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California, as amended (the “Act”), under a Trust Indenture dated as of December 1, 2009 (the “Indenture”) by and between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”), and a resolution of the Issuer authorizing issuance and sale of the Bonds and execution and delivery of all related documents required to be executed and delivered by the Issuer. The Issuer is using the proceeds of the Bonds to make a mortgage loan (the “Bond Mortgage Loan”) to Vintage Oaks Senior Apartments, L.P., a California limited partnership (the “Borrower”), to provide for the financing of a multifamily rental housing development located in the City of Citrus Heights, California known as Vintage Oaks Senior Apartments (the “Project”). See “THE BORROWER AND THE PROJECT” herein.

The Bond Mortgage Loan will be made pursuant to a Financing Agreement, dated as of the date of the Indenture (the “Financing Agreement”), among the Issuer, the Borrower and the Trustee. The Bond Mortgage Loan will be evidenced by a non-recourse Bond Mortgage Note dated the Delivery Date (together with all riders and addenda thereto (the “Bond Mortgage Note”) executed by the Borrower in favor of the Issuer and secured by a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of December 1, 2009 (the “Bond Mortgage”), executed by the Borrower and delivered to the Issuer with respect to the Project. The Bond Mortgage Note will be endorsed by the Issuer to the Trustee and the Bond Mortgage will be assigned by the Issuer to the Trustee as of the Delivery Date. Payments on the Bond Mortgage Loan will be made by the Borrower to Citibank, N.A. (the “Servicer”) for the benefit of the Trustee. The principal amount and payment provisions of the Bond Mortgage Note have been established and structured so that (a) the aggregate principal amount of the Bond Mortgage Note will not be less than the aggregate principal amount of Outstanding Bonds; (b) the interest payable on the Bond Mortgage Note will not be less than the interest payable on the Outstanding

Bonds; and (c) the required payments under the Bond Mortgage Note will be timely and sufficient in amount to make the payments due to the Bondholders on the Outstanding Bonds.

On the Delivery Date, the Issuer will assign the Financing Agreement (except for the Issuer's Unassigned Rights) to the Trustee for the benefit of the registered owners of the Bonds. In addition to the other security provided under the Indenture, the required payments under the Bond Mortgage Note will be secured by Guaranteed Payments under a direct pay Credit Enhancement Agreement dated as of December 1, 2009 (the "Credit Enhancement Agreement" or "Credit Facility"), between the Federal Home Loan Mortgage Corporation ("Freddie Mac" or "Credit Facility Provider") and the Trustee. The Credit Enhancement Agreement will terminate on January 6, 2040, or earlier under certain conditions, and may be replaced at or prior to termination in accordance with the Indenture. The Credit Enhancement Agreement will provide (i) draws by the Trustee as necessary to pay the Purchase Price of Bonds on January 1, 2028 or any earlier Mandatory Purchase Date (see "THE BONDS—Mandatory Purchase of Bonds"), and (ii) draws in an amount equal to the principal and interest payments (but not any premium) due and owing under the Bond Mortgage Loan (generally, "Guaranteed Payments"). A form of the Credit Enhancement Agreement is attached hereto as Appendix C. The obligation of the Borrower to reimburse Freddie Mac for funds provided by Freddie Mac pursuant to the Credit Enhancement Agreement is established by the terms and conditions of a Reimbursement and Security Agreement dated as of December 1, 2009 (the "Reimbursement Agreement") by and between the Borrower and Freddie Mac. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—The Credit Enhancement Agreement," "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT" and "APPENDIX C—FORM OF CREDIT ENHANCEMENT AGREEMENT."

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 is required to pay the sum of the Interest Component and the Principal Component of a Guaranteed Payment and, in the event of a failed remarketing, the Purchase Price on such Bonds. See "THE BONDS," "APPENDIX A—DEFINITIONS OF CERTAIN TERMS" and "APPENDIX C—FORM OF CREDIT ENHANCEMENT AGREEMENT."

So long as Freddie Mac is not in default in its payment obligations under the Credit Enhancement Agreement, Freddie Mac shall control and shall have the right to exercise the Bond Mortgage Rights (defined herein).

Pursuant to an Intercreditor Agreement dated as of December 1, 2009 (the "Intercreditor Agreement"), among the Issuer, the Trustee and Freddie Mac with respect to the Bonds, neither the Trustee nor the Bondholders will have the right to exercise remedies under a Bond Mortgage while the Credit Enhancement Agreement secures the Bonds and Freddie Mac continues to honor its obligations thereunder. The Borrower will also execute a second Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of December 1, 2009 (the "Reimbursement Mortgage") for the benefit of Freddie Mac to secure the Borrower's obligations under the Reimbursement Agreement.

THE BONDS AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED THEREFOR UNDER THE INDENTURE, INCLUDING, WITHOUT LIMITATION, ITS INTEREST IN PAYMENTS RECEIVED UNDER THE BOND MORTGAGE NOTE AND THE CREDIT FACILITY. NONE OF THE UNITED STATES OF AMERICA, THE STATE, THE ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG") OR THEIR MEMBERS, NOR ANY OTHER POLITICAL SUBDIVISION OR BODY CORPORATE AND POLITIC, OR AGENCY, OF THE UNITED STATES OF AMERICA OR THE STATE (EXCEPT TO THE LIMITED EXTENT PROVIDED IN THE INDENTURE) SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF,

PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER OF THE ISSUER, AND NEITHER THIS BOND NOR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF THE UNITED STATES OF AMERICA, THE STATE, THE ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG") OR THEIR MEMBERS OR ANY OTHER POLITICAL SUBDIVISION OR BODY CORPORATE AND POLITIC OF THE UNITED STATES OF AMERICA OR THE STATE (EXCEPT TO THE LIMITED EXTENT PROVIDED IN THE INDENTURE), WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. THE ISSUER HAS NO 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, OR ANY OTHER AGENCY THEREOF, OR OF FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC.

The Borrower is required to operate the Project in compliance with a Regulatory Agreement and Declaration of Restrictive Covenants, dated as of December 1, 2009, as amended by a Freddie Mac Rider (the "Tax Regulatory Agreement"), among the Issuer, the Trustee and the Borrower. The Tax Regulatory Agreement contains certain representations, warranties and covenants concerning the operation of the Project. Under the Tax Regulatory Agreement, the Borrower is required, among other things, to cause no less than 40% of the completed residential units in the Project to be occupied by individuals whose income does not exceed 60% of the median gross income for the area in which the Project is located, as further described in the Tax Regulatory Agreement. A failure to comply with certain of these requirements could result in the loss of the federal tax exemption on the Bonds retroactive to the Delivery Date. See "TAX MATTERS" and "SUMMARY OF CERTAIN PROVISIONS OF THE TAX REGULATORY AGREEMENT." Further, in connection with the award of low-income housing tax credits to the Project, the Borrower anticipates that it will be required to set aside 100% of the units in the Project for lower income tenants and to restrict the rents charged to such tenants. See "THE BORROWER AND THE PROJECT" herein.

Citigroup Global Markets Inc. (the "Remarketing Agent") has been appointed by the Borrower with the approval of Freddie Mac to serve as Remarketing Agent for the Bonds under the terms of a Remarketing Agreement dated as of December 1, 2009 (the "Remarketing Agreement"), between the Borrower and the Remarketing Agent. The Trustee will perform certain services in connection with the purchase of tendered Bonds.

Brief descriptions of the Issuer, the sources of payment for the Bonds, the Bonds, the Project, the Borrower, the Servicer and Freddie Mac and a general summary of the Indenture, the Financing Agreement, the Tax Regulatory Agreement, the Intercreditor Agreement and the Reimbursement Agreement are included in this Official Statement. The form of the Credit Enhancement Agreement is attached as Appendix C. All references herein to the Indenture, the Financing Agreement, the Tax Regulatory Agreement, the Credit Enhancement Agreement, the Intercreditor Agreement, the

Reimbursement Agreement and all other documents and agreements are qualified in their entirety by reference to such documents and agreements, and all references to the Bonds are qualified by reference to the form thereof included in the Indenture, copies of which are available for inspection at the principal office of the Trustee.

THIS OFFICIAL STATEMENT DESCRIBES THE BONDS, AND IS INTENDED SOLELY FOR USE WITH RESPECT TO THE BONDS, PRIOR TO JANUARY 1, 2028 OR ANY EARLIER MANDATORY TENDER DATE (AS DESCRIBED HEREIN) AND AT NO TIME THEREAFTER.

THIS OFFICIAL STATEMENT DESCRIBES THE BONDS ONLY WHILE THEY ARE SECURED BY THE CREDIT ENHANCEMENT AGREEMENT PROVIDED BY FREDDIE MAC. A NEW OFFICIAL STATEMENT IS REQUIRED TO BE USED TO OFFER OR REMARKET THE BONDS IF INTEREST ON THE BONDS IS CONVERTED TO A RESET RATE OR IF THE BONDS ARE NO LONGER SECURED BY THE CREDIT ENHANCEMENT AGREEMENT.

### **THE ISSUER**

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

The Issuer is a joint powers authority 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 (the "Joint Powers Agreement"), and the Act in order to assist nonprofit corporations and other entities to obtain financing for projects located within the several jurisdictions of the members of the Issuer with purposes serving the public interest.

THE BONDS AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE, WHICH IS SPECIFICALLY ASSIGNED AND PLEDGED TO SUCH PURPOSES IN THE MANNER AND TO THE EXTENT PROVIDED IN THE INDENTURE. NEITHER THE ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG"), OR THE MEMBERS OF THE ISSUER OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF THE ISSUER, ABAG OR ANY OF ITS MEMBERS TO PAY ALL OR ANY PORTION OF DEBT SERVICE DUE ON THE BONDS. THE BONDS AND THE OBLIGATION TO PAY PRINCIPAL OF AND INTEREST THEREON AND ANY REDEMPTION, PREMIUM WITH RESPECT THERETO DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE ISSUER OR ABAG, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF ANY OF THEM, BUT SHALL BE PAYABLE SOLELY FROM THE TRUST ESTATE AS PROVIDED IN THE INDENTURE. 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 OF, PURCHASE PRICE, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. NEITHER THE ISSUER NOR ABAG HAVE ANY TAXING POWER.

The Issuer has sold and delivered obligations other than the Bonds, which other obligations are and will be secured by instruments separate and apart from the Indenture and the Bonds. The holders of such obligations of the Issuer have no claim on the security for the Bonds, and the owners of the Bonds will have no claim on the security for such other obligations issued by the Issuer.

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 “LITIGATION—Issuer.”

## **THE BONDS**

### **General**

The Bonds shall be fully registered as to principal and interest, without coupons, and shall be numbered by series, if any, in the manner and with any additional designation as the Trustee, as Bond Registrar, deems necessary for the purpose of identification. All of the Bonds are equally and ratably secured. Bonds issued on the Delivery Date shall be dated such date; Bonds issued after the Delivery Date shall be dated the date they are authenticated by the Trustee.

Interest on the Bonds 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 Bonds shall be issued in Authorized Denominations and shall bear interest payable on each Interest Payment Date at the rate per annum determined as provided in the Indenture. The Bonds shall mature, subject to redemption prior to maturity as provided in the Indenture, on the date set forth on the cover hereof. The Bonds shall initially bear interest at the Initial Reset Rate, set forth on the inside front cover page hereof, during the Initial Reset Period and thereafter shall bear interest at the applicable Reset Rate (not to exceed the Maximum Reset Rate) established for each Subsequent Reset Period pursuant to the Indenture.

Not less than the Business Day preceding each Reset Adjustment Date, the Remarketing Agent, taking into consideration prevailing market conditions, shall, using its best professional judgment, determine the minimum rate of interest which, if borne by the Bonds then Outstanding for the Subsequent Reset Period, would be the rate of interest that would enable the Remarketing Agent to remarket all Bonds then Outstanding on such Reset Adjustment Date for the Subsequent Reset Period at a price equal to 100% of the principal amount of such Bonds, and the rate of interest so determined shall be the Reset Rate for such Reset Period.

For purposes of this heading, “Subsequent Reset Period” shall mean the period beginning on the Reset Adjustment Date and ending on an Interest Payment Date that is not less than ten (10) years from the Reset Adjustment Date, unless the final Maturity Date of the Bonds will occur in less than ten (10) years, in which event such period shall extend to the final Maturity Date of the Bonds, provided, however, that if the Reset Rate determined pursuant to the preceding paragraph for such period would exceed the Maximum Reset Rate, the Subsequent Reset Period shall be the longest possible period (of not less than one year in length and ending on an Interest Payment Date) for which all of the Bond then Outstanding, bearing interest at a Reset Rate not exceeding the Maximum Reset Rate can be remarketed as described in the paragraph immediately above. Notwithstanding the foregoing, if the Remarketing Agent cannot establish a Reset Rate less than or equal to the Maximum Reset Rate for a Subsequent Reset Period as provided under this heading, the proposed Reset Adjustment Date shall be cancelled and the Bonds then Outstanding shall be redeemed (or purchased in lieu thereof) on the proposed Reset Adjustment Date as set forth in the Indenture, as applicable. In addition, notwithstanding the foregoing and any other provision of the Indenture, if the Credit Facility is expiring without replacement pursuant to the terms of the Indenture and the Financing Agreement, the proposed Reset Adjustment Date shall be cancelled and the Bonds then Outstanding shall be redeemed (or purchased in lieu thereof) on the proposed Reset Adjustment Date in accordance with the Indenture, as applicable.

The Remarketing Agent shall, upon determination of the Reset Rate and Reset Period, immediately give notice of its determination, by telephone, promptly confirmed in writing and transmitted by facsimile or Electronic Notice, to the Trustee, the Issuer, the Borrower, the Servicer and the Credit Facility Provider (which shall be by Electronic Notice).

Not less than 30 days preceding each Reset Adjustment Date, the Borrower shall deliver to the Trustee such amount as the Trustee and the Issuer reasonably determine may be required in connection with the establishment of the Reset Rate, including, but not limited to, the Remarketing Agent’s Fees, their own fees and expenses (including those of their counsel) and the cost of printing Bonds. Trustee shall deposit such amount to the credit of the Cost of Issuance Fund. In the event that after giving the notice specified in the Indenture to the Holders of the Bonds the Trustee receives notice from the Remarketing Agent that a Market Risk Event has occurred or that the Bonds cannot be remarketed at a Reset Rate equal to or less than the Maximum Reset Rate as required above, the Trustee shall notify the Holders of the Bonds that the Reset Adjustment Date (but not the mandatory tender of Bonds on the proposed Reset Adjustment Date) has been cancelled. In such event, on the day following the Reset Period, the Bonds shall be redeemed (or purchased in lieu thereof) pursuant to the Indenture, as applicable.

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

The Bonds will be available in book-entry form only. Purchasers of the Bonds will not receive certificates from the Issuer or the Trustee representing their interests in the Bonds purchased.

The information in this section concerning The Depository Trust Company (“DTC”) and DTC’s Book-Entry System has been obtained from DTC. None of the Issuer, Freddie Mac or the Borrower makes any representation or warranty or take any responsibility for the accuracy or completeness of such information.

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 will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million

of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC 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 the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation 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 Bonds 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 nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Redemption notices shall be sent to Cede & Co. 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 such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified by a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions 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 to the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC Agent, 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 Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

THE ABOVE INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE ISSUER BELIEVES TO BE RELIABLE, BUT THE ISSUER TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THE ISSUER NOR THE TRUSTEE HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (ii) THE PAYMENT BY DTC OR BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION OR PURCHASE PRICE OF, INTEREST ON, ANY BONDS; (iii) THE DELIVERY OF

ANY NOTICE BY DTC OR ANY PARTICIPANT; (iv) THE SELECTION OF THE PARTICIPANTS OR THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (v) ANY CONSENT GIVEN OR ANY OTHER ACTION TAKEN BY DTC OR ANY PARTICIPANT.

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, reference herein to the registered owners of the Bonds (other than under the heading "TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

### **Mandatory Purchase of Bonds**

The Bonds shall be purchased from the sources prescribed in the Indenture upon being tendered or deemed tendered on any Reset Adjustment Date and any Substitution Date. Bonds shall be purchased for a Purchase Price equal to the principal amount thereof plus interest accrued thereon to the Settlement Date. Bonds shall be purchased upon delivery of such Bond (with an appropriate transfer of registration form executed in blank and in form satisfactory to the Trustee) to the Trustee, at or prior to 9:30 a.m., Washington, D.C. time, on the Settlement Date. The Trustee shall hold all Bonds delivered to the Trustee in trust for the benefit of the respective Bondholders which shall have so delivered such Bonds until money representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Bondholders. In the event that a depository is appointed pursuant to the Indenture and a "book entry only" system is in effect with respect to the Bonds, delivery of Bonds for purchase on the Settlement Date shall be effected in the manner set forth by such depository.

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

Payment of the Purchase Price of any Bond shall be made by 3:00 p.m., Washington, D.C. time, on the Settlement Date by check or by wire transfer (if requested in writing by the Bondholder) but only upon delivery and surrender of such Bond to the Trustee.

If the Trustee shall have received the items required by the Indenture, as the case may be, the Trustee shall (a) not later than the fifteenth (15th) day before any such Reset Adjustment Date or Substitution Date (or, if such day is not a Business Day, then on the next succeeding Business Day), notify the Remarketing Agent by telephone, promptly confirmed in writing and (b) not later than the ninth (9th) day before any such Reset Adjustment Date or Substitution Date, notify the Bondholders by first class mail, that all Outstanding Bonds (other than Purchased Bonds) shall be subject to mandatory tender and if not so tendered, shall be deemed to have been tendered for purchase on each such Reset Adjustment Date or the Substitution Date as provided the Indenture, at the Purchase Price.

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

## **Mandatory Tender of the Bonds**

Holders of Bonds shall be required to tender their Bonds to the Trustee on: (i) any Reset Adjustment Date in accordance with the provisions of the Indenture; and (ii) any Substitution Date in accordance with and subject to the provisions of the Indenture. Any Bond required to be tendered on a Reset Adjustment Date or a Substitution Date which is not tendered as of such date shall be deemed to have been tendered to the Trustee on such date and shall thereafter cease to bear interest and no longer be considered to be Outstanding under the Indenture.

## **Mandatory Tender of Bonds on Substitution Date**

The Borrower, pursuant to the Financing Agreement, is permitted, with (a) the written confirmation to the Trustee of the Credit Facility Provider that the provisions of the Reimbursement Agreement have been satisfied, to provide an Alternate Credit Facility to replace the then existing Credit Facility on any Interest Payment Date occurring on or after the date that the Bonds may first be optionally redeemed at a price of not greater than par plus accrued interest to the redemption date, and, without the consent of the Borrower (and without the consent of the Issuer, the Trustee or the Bondholders), the Credit Facility Provider may provide any other form of “credit support” or “liquidity support” (or combination thereof) in substitution for the then existing Credit Facility, provided that, in either case, the conditions of the Financing Agreement are satisfied.

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

Upon receipt by the Trustee of (i) notice from the Borrower of a planned substitution of the Credit Facility, (ii) the aforementioned confirmation of the Credit Facility Provider; (iii) a form of the Alternate Credit Facility to be in effect on and after the Substitution Date; (iv) a form of the documents required pursuant to the Financing Agreement, and (v) an amount as the Trustee reasonably determines may be required in connection with the delivery of the Alternate Credit Facility, including, but not limited to, the Remarketing Agent’s Fees and its own fees and expenses (including those of their counsel), which shall be deposited to the credit of the Cost of Issuance Fund, the Trustee shall establish the Substitution Date for the mandatory tender and purchase of the Bonds. Such Substitution Date shall be not less than five (5) days following the Trustee’s receipt of the Alternate Credit Facility to be in effect on and after the Substitution Date (which Alternate Credit Facility may be delivered in escrow), and such other required documents. The existing Credit Facility shall remain in effect until the effective date of the Alternate Credit Facility.

The Trustee shall give notice to the Holders of the Bonds, by first class mail not less than nine (9) days before each Reset Adjustment Date (other than the Initial Rate Adjustment Date) specifying: (i) the Reset Adjustment Date, (ii) that the interest rate on the Bonds will be established at the Reset Rate on the Reset Adjustment Date; and (iii) that all Bonds must be tendered for purchase at the Purchase Price and surrendered to the Trustee for purchase not later than 9:30 a.m., Washington, D.C. time, on the Reset Adjustment Date.

Any Bond not tendered to the Trustee for purchase in accordance with the provisions of the Indenture on a Reset Adjustment Date (including a canceled Reset Adjustment Date) shall be deemed to have been tendered for purchase on such Reset Adjustment Date for all purposes of the Indenture; provided, however, payment on such Bonds shall only be made upon presentation thereof.

At the election of the Borrower and the consent of the Credit Facility Provider and the Alternate Credit Facility Provider, a Substitution Date may also be a Reset Adjustment Date (subject to the requirement of the Indenture, provided that a Remarketing Agent has been appointed in accordance with the Indenture.

### **Optional Redemption of Bonds**

The Bonds are subject to optional redemption from payments made under the Credit Facility (subject to the limitations set forth in the Indenture) or with other Eligible Funds deposited with the Trustee as set forth below.

With the prior written consent of the Credit Facility Provider, in whole or in part, upon optional prepayments on the Bond Mortgage Loan in accordance with the prepayment restrictions set forth in the Bond Mortgage Note and the Financing Agreement as follows:

During the Initial Reset Period, on any Business Day, at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date.

The Trustee shall effect a redemption of Bonds pursuant to this section at the earliest practical date for which notice may be given hereunder but in no event later than 35 days following its receipt of moneys representing an optional prepayment of the Bond Mortgage Loan.

### **Mandatory Redemption**

The Bonds are subject to mandatory redemption on any Business Day, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium, at the earliest practicable date from payments made 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 to redeem such Bonds using money obtained as a result of a draw upon the Credit Facility; or

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

(iii) in whole, on the last Interest Payment Date which is not less than five days before the date of expiration of any Credit Facility unless the Trustee receives a renewal or extension of or replacement for such Credit Facility or an irrevocable commitment of an entity to issue an Alternate Credit Facility to be in effect upon and after such date of expiration, in each case not less than thirty (30) days before the expiration of the then existing Credit Facility; or

(iv) in part, at the written direction of the Credit Facility Provider on each Reset Adjustment Date in an amount not greater than the amount in the Principal Reserve Fund on the first day of the month prior to such Reset Adjustment Date, as applicable; or

(v) in part, as provided under the heading “Mandatory Sinking Fund Redemption” below; or

(vi) in whole, (A) on the day following any Reset Period if the Trustee has not received the items required by the Indenture to effect a new Reset Period or upon cancellation of a rate adjustment on a Reset Adjustment Date or (B) on any Settlement Date if the Trustee has not received from the Remarketing Agent (1) notice of successful remarketing of all of the Bonds to be tendered by 11:00 a.m., Washington, D.C. time, on the Business Day immediately prior to such Settlement Date or (2) the Purchase Price for any such Bond prior to 10:00 a.m., Washington, D.C. time, on the Settlement Date; or

(vii) reserved; or

(viii) in part, on the Interest Payment date next following the completion of the rehabilitation of the Project, to the extent amounts remaining in the Bond Mortgage Loan Fund are transferred to the Redemption Fund pursuant to the Indenture for application to the redemption of Bonds; or

(ix) 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.

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## Mandatory Sinking Fund Redemption

During the Initial Reset Period, the Bonds are subject to mandatory sinking fund redemption on the dates and in the amounts set forth in the table below; provided that if less than all the Bonds shall have been redeemed pursuant to the Indenture, the amount of Bonds to be redeemed in each year from sinking fund installments as provided in the Indenture shall be decreased by an amount, in proportion, as nearly as practicable, to the decrease in the payments on the Bond Mortgage Loan in such year as determined by the Trustee (in consultation with the Servicer).

### BONDS MATURING ON JANUARY 1, 2040

Redemption Date	Principal Amount	Redemption Date	Principal Amount
July 1, 2010	\$105,000	July 1, 2019	\$ 180,000
January 1, 2011	115,000	January 1, 2020	180,000
July 1, 2011	125,000	July 1, 2020	185,000
January 1, 2012	120,000	January 1, 2021	195,000
July 1, 2012	125,000	July 1, 2021	200,000
January 1, 2013	130,000	January 1, 2022	200,000
July 1, 2013	130,000	July 1, 2022	210,000
January 1, 2014	140,000	January 1, 2023	210,000
July 1, 2014	145,000	July 1, 2023	215,000
January 1, 2015	140,000	January 1, 2024	225,000
July 1, 2015	145,000	July 1, 2024	230,000
January 1, 2016	150,000	January 1, 2025	230,000
July 1, 2016	155,000	July 1, 2025	240,000
January 1, 2017	155,000	January 1, 2026	245,000
July 1, 2017	160,000	July 1, 2026	250,000
January 1, 2018	165,000	January 1, 2027	260,000
July 1, 2018	175,000	July 1, 2027	265,000
January 1, 2019	170,000	January 1, 2028	9,250,000

At least fifteen (15) days before any Reset Adjustment Date the Borrower shall, in consultation with the Servicer and with the prior written consent of the Credit Facility Provider, determine whether the Bonds shall have serial maturities, term maturities with sinking fund redemptions, term maturities without sinking fund redemptions or any combination thereof; provided, however, the Borrower shall deliver to the Trustee and to the Issuer an Opinion of Bond Counsel to the effect that such determination of maturities and/or sinking fund redemption schedule will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

### Selection of Bonds for Redemption

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

## **Notice of Redemption**

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

Notices of redemption shall state the redemption date and the redemption price, the place or places where amounts due upon such redemption will be payable, and, if less than all of the then Outstanding Bonds are called for redemption, shall state (i) the numbers of the Bonds to be redeemed by giving the individual certificate number of each Bond to be redeemed or shall state that all Bonds between two stated certificate numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption only if bonds cease to be book entry bonds; (ii) the CUSIP numbers of all Bonds being redeemed if available; (iii) the amount of each Bond being redeemed (in the case of a partial redemption); (iv) the date of issue of the Bond as originally issued; (v) the rate of interest borne by each Bond redeemed; (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 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 shall state that further interest on such Bonds will not accrue from and after the redemption date and that payment of the principal amount and premium, if any, will be made upon presentation and surrender of the Bonds at the Principal Office of the Trustee unless the Bonds are then held in a book-entry only system of registration.

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

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

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

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

Notwithstanding anything in the Indenture to the contrary, 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 this section and shall be given no later than 5:00 p.m., Washington, D.C., time on the Business Day 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 thereunder) shall be required, and the Trustee shall be authorized to apply to such purpose the funds in the Redemption Fund which would have been used to pay the redemption price for such Bonds if such Bonds had been redeemed rather than purchased. Such Bonds so purchased for the account of the Borrower shall for all purposes under the Indenture constitute Purchased Bonds held by the Custodian pursuant to the Pledge Agreement. The Credit Facility Provider shall have the right to direct the transfer of Purchased Bonds (without reinstatement of the then existing Credit Facility or delivery to the Trustee of an Alternate Credit Facility, which will result in such Bonds being unrated) to the Credit Facility Provider or any subsidiary of the Credit Facility Provider, or to a single Bondholder which has provided the Trustee with an investment letter in the form attached to the Indenture as an exhibit (and otherwise subject to the provisions of the Indenture), provided that any transfer to a single Bondholder as described above shall require delivery of an opinion of Bond Counsel to the Trustee to the effect that such transfer will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. Such Purchased Bonds, if not transferred as provided therein, shall be redeemed and cancelled automatically by the Trustee on the date which is not later than two (2) years from the date of purchase, unless an opinion of Bond Counsel is delivered to the Trustee to the effect that not redeeming and canceling such Purchased Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. Any purchase of Bonds thereunder is not intended as an extinguishment of the debt represented by the Bonds.

## **Remarketing Agent**

Citigroup Global Markets Inc. (the “Remarketing Agent”) will serve as remarketing agent with respect to the Bonds under a Remarketing Agreement, dated as of December 1, 2009 (the “Remarketing Agreement”), by and between the Remarketing Agent and the Borrower. The Remarketing Agent will determine the interest rates on the Bonds in accordance with the Indenture and is required to use its best efforts to remarket the Bonds in accordance with the terms of the Remarketing Agreement.

## **Disclosure Concerning Sale by the Remarketing Agent**

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

***Remarketing Agent Routinely Purchases Bonds for its Own Account.*** The Remarketing Agent acts as remarketing agent for a variety of obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase

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

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

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

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

### **Trust Estate**

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

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

(b) All right, title and interest of the Issuer in and to the Financing Agreement, the Bond Mortgage Note, the Bond Mortgage and the Credit Facility (other than the Unassigned Rights), including all extensions and renewals of the terms thereof, if any, including, but without limiting the generality of the foregoing, the present and continuing right to receive, receipt for, collect or make claim for any of the money, income, revenues, issues, profits and other amounts payable or receivable thereunder, whether payable under the above referenced documents or otherwise, to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Issuer or any other Person is or may become entitled to do under said documents.

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

### **Limited Obligations**

THE BONDS AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED THEREFOR UNDER THE INDENTURE, INCLUDING, WITHOUT LIMITATION, ITS INTEREST IN PAYMENTS RECEIVED UNDER THE BOND MORTGAGE NOTE AND THE CREDIT FACILITY. NONE OF THE UNITED STATES OF AMERICA, THE STATE, THE ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG") OR THEIR MEMBERS, NOR ANY OTHER POLITICAL SUBDIVISION OR BODY CORPORATE AND POLITIC, OR AGENCY, OF THE UNITED STATES OF AMERICA OR THE STATE (EXCEPT TO THE LIMITED EXTENT PROVIDED IN THE INDENTURE) SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER OF THE ISSUER, AND NEITHER THIS BOND NOR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF THE UNITED STATES OF AMERICA, THE STATE, THE ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG") OR THEIR MEMBERS OR ANY OTHER POLITICAL SUBDIVISION OR BODY CORPORATE AND POLITIC OF THE UNITED STATES OF AMERICA OR THE STATE (EXCEPT TO THE LIMITED EXTENT PROVIDED IN THE INDENTURE), WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. THE ISSUER HAS NO 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, OR ANY OTHER AGENCY THEREOF, OR OF FREDDIE MAC,

AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC.

### **The Credit Enhancement Agreement**

To provide security for the Bonds, Freddie Mac will enter into the Credit Enhancement Agreement with the Trustee. See “FREDDIE MAC” and “APPENDIX C—FORM OF CREDIT ENHANCEMENT AGREEMENT.” Pursuant to the Credit Enhancement Agreement, Freddie Mac is required to pay Guaranteed Payments with respect to the Bond Mortgage Loan relating to the Bonds when and in the amounts due, and the Purchase Price of the Bonds in accordance with the terms of the Indenture and Credit Enhancement Agreement. See “APPENDIX C— FORM OF CREDIT ENHANCEMENT AGREEMENT” for a definition of “Guaranteed Payment.”

### **Alternate Credit Facility**

The Borrower, with the prior written confirmation of the Credit Facility Provider that the provisions of the Reimbursement Agreement have been satisfied (but without the consent of the Issuer, the Trustee or the Bondholders), and provided that the Remarketing Agent has been appointed in accordance with the Indenture, may, on any Interest Payment Date occurring on or after the date that the Bonds may first be optionally redeemed at a price of not greater than par plus accrued interest to the redemption date and subject to the terms of the existing Credit Facility, arrange for the delivery to the Trustee of an Alternate Credit Facility in substitution for the Credit Facility then in effect (referred to under this heading as “credit support”); provided that, without the consent of the Borrower (and without the consent of the Issuer, the Trustee or the Bondholders), the Credit Facility Provider may provide any other form of “credit support” issued by the Credit Facility Provider in substitution for then existing Credit Facility if (A) the conditions of the Indenture are satisfied or (B)(i) the Rating Agency confirms in writing that such substitution will not adversely affect the current rating on the Bonds, (ii) the Credit Facility Provider delivers to the Issuer and the Trustee an opinion of counsel satisfying the requirements of subsection (c) under this heading and (iii) such substitute “credit support” does not increase the amounts required to be paid by, or other obligations of, the Borrower. Any Alternate Credit Facility shall satisfy the following conditions, as applicable:

(a) [reserved].

(b) The Alternate Credit Facility shall (i) be in an amount equal to the aggregate principal amount of the Bonds Outstanding from time to time plus the Interest Requirement (or otherwise provide coverage satisfactory to the Rating Agency); (ii) provide for payment in immediately available funds to the Trustee upon receipt of the Trustee’s request for such payment with respect to any Interest Payment Date, purchase date or mandatory redemption date pursuant to the Indenture; (iii) provide an expiration date no earlier than the earliest of (A) the day following the Initial Reset Period or the Reset Adjustment Date immediately succeeding the Reset Period (as applicable); (B) ten (10) days after the Trustee receives notice from the Credit Facility Provider of an Event of Default under the Financing Agreement or a default under and as defined in the Reimbursement Agreement and a direction to redeem all Outstanding Bonds; (C) the date on which all Bonds are paid in full and the Indenture is discharged in accordance with its terms; and (D) the date on which the Bonds become secured by an Alternate Credit Facility in accordance with the terms of the Indenture and the Reimbursement Agreement; (iv) unless waived by the Issuer in its sole discretion, result in the Bonds receiving a long term rating or short term rating, or both, as applicable for the mode then in effect, for the long term rating in one of the two highest rating categories of the Rating Agency without regard to pluses or minuses, and for the short term rating in the highest rating category of the Rating Agency without regard to pluses or minuses; and (v) have a stated expiration or termination date not sooner than one year following its effective date.

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

### **ESTIMATED SOURCES AND USES OF FUNDS**

The sources and uses of funds for the acquisition and rehabilitation of the Project are estimated by the Borrower to be approximately as follows:

<b>Sources of Funds</b>	
Bond Proceeds	\$15,520,000
Borrower Contribution (including cash flow)	2,700,512
SMUD Solar Rebate	1,187,000
Cash In Lieu	1,300,000
Tax Credit Equity	<u>5,321,127</u>
<b>Total</b>	<b><u>\$26,028,639</u></b>
 <b>Uses of Funds</b>	
Land & Building	\$14,000,000
Hard Construction Costs	6,650,521
Soft Construction Costs/Financing Costs	5,128,118
Bond Costs of Issuance	<u>250,000</u>
<b>Total</b>	<b><u>\$26,028,639</u></b>

### **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.OFHFA.gov> and <http://www.Treasury.gov>.

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

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

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

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

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

#### **SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT**

*The obligations of the Borrower to Freddie Mac under the Credit Enhancement Agreement are evidenced by 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.*

Under the Reimbursement Agreement, the Borrower has promised to repay Freddie Mac all sums of money Freddie Mac has advanced to the Trustee for the Guaranteed Payments made on the Bond Mortgage Loan as well as any payments made for Purchased Bonds upon a failed remarketing. The Reimbursement Agreement also provides that the Borrower will pay the Freddie Mac Credit Enhancement Fee, the Ordinary Servicing Fees and Expenses and other fees and expenses as provided therein.

Under the provisions of the Reimbursement Agreement, Freddie Mac may declare an event of default if:

(a) the Borrower shall fail to pay when due any amount payable by the Borrower under the Reimbursement Agreement, including, without limitation, any Loan Equalization Payment, Required Principal Paydown and fees, costs or expenses;

(b) the Borrower shall fail to perform its obligations with respect to certain negative covenants under the Reimbursement Agreement;

(c) the Borrower shall fail 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

shall 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 or the Reimbursement Mortgage or any other Reimbursement Security Document;

(d) the Borrower shall fail to observe or perform any other term, covenant, condition or agreement set forth in any of the other Borrower Documents or there shall otherwise occur 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);

(e) 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 shall be inaccurate or incorrect in any material respect when made or deemed made;

(f) 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; or

(g) 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).

Upon 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 shall 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 shall have 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: 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; give written notice to the Trustee stating that an event of default has occurred and is continuing hereunder and directing the Trustee to cause the mandatory redemption (or purchase in lieu) of the Bonds; or exercise any rights and remedies available to Freddie Mac under any of the Borrower Documents.

Freddie Mac shall have 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 shall extend only to the specific event or occurrence and not to any other similar event or occurrence which occurs subsequent to the date of such waiver.

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.

## THE BORROWER AND THE PROJECT

*The information under this heading has been provided solely by the Borrower and has not been independently verified by the Issuer, the Remarketing Agent, Freddie Mac, the Servicer or any of their respective counsel, members, officers or employees. No representation whatsoever as to the accuracy, adequacy or completeness of such information is made by the Issuer, the Remarketing Agent, Freddie Mac, the Servicer or any of their respective counsel, members, officers or employees.*

### The Project

The Project, to be known as Vintage Oaks Senior Apartments, will be located on an approximately 9.01 acre site at 7340 Stock Ranch Road in the City of Citrus Heights, California. Rehabilitation and extensive solar photovoltaic installation is expected to commence in January 2010 and be completed in June 2010. The Project will contain 241 units located in 19 buildings.

The Project amenities include clubhouse, pool and spa. The Project is expected to include 261 parking spaces. Rehabilitation of the Project is anticipated to commence in January 2010 and be completed approximately 10 months later.

Unit amenities are expected to include fluorescent lighting, stove, dishwasher, refrigerator, and hydronic central heat and AC. The unit mix of the Project is as follows:

Number Of Units	Composition	Approximate Square Footage
192	1 Bedroom – 1 Bath	513
48	2 Bedroom – 1 Bath	710

### Regulatory Agreements

***Tax Regulatory Agreement.*** The Regulatory Agreement and Declaration of Restrictive Covenants (the “Tax 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 TAX REGULATORY AGREEMENT” for a description of the requirements affecting the operation of the Project in order to assume compliance with the Code.

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

### The Borrower

The Borrower is Vintage Oaks Senior Apartments, L.P., a California limited partnership, formed for the sole purpose of acquiring, rehabilitating and operating the Project. The administrative general partner of the Borrower is USA Vintage Oaks, Inc., a California corporation (the “Administrative General Partner”) owning a .009% ownership interest in the Borrower. The managing general partner of the

Borrower is RCC Vintage Oaks, LLC, a Limited Liability company (the “Managing General Partner”) owning a .001% ownership interest in the Borrower.

The Administrative General Partner has been in the business of acquiring, owning and operating apartment complexes since 1981, and currently own and operate 69 apartment complexes containing approximately 9,384 units in the State of California. The nonprofit Managing General Partner has been in the business of acquiring, owning and operating apartment complexes since 1988, and currently owns and operates 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 sell to Boston Capital Corporate Tax Credit Fund XXXIII, A Limited Partnership, a Massachusetts limited partnership (the “Tax Credit Partner”) a 99.99% ownership interest in the Borrower. Pursuant to the sale, the funding of the tax credit equity is expected to total approximately \$5,321,127, with an initial contribution of \$532,113 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 the Issuer does not make 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.

### **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 69 apartment complexes comprising a total of approximately 9,384 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 SERVICER**

Citibank, N.A. (the “Servicer”) will perform mortgage servicing functions with respect to the Bond Mortgage Loan on behalf of and in accordance with Freddie Mac requirements. The servicing arrangements between Freddie Mac and the Servicer for servicing the Bond Mortgage Loan are solely

between Freddie Mac and the Servicer and neither the Issuer nor the Trustee is deemed to be a party thereto or has any claim, right, obligation, duty or liability with respect to the servicing of the Bond Mortgage Loan.

The Servicer will be obligated, pursuant to its arrangements with Freddie Mac and Freddie Mac's servicing requirements, to perform diligently all services and duties customary to the servicing of mortgages, as well as those specifically prescribed by Freddie Mac. Freddie Mac will monitor the Servicer's performance and has the right to remove the Servicer with or without cause. The duties performed by the Servicer include general loan servicing responsibilities, collection and remittance of principal and interest payments, administration of mortgage escrow accounts and collection of insurance claims.

### **CERTAIN BONDHOLDERS' RISKS**

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

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

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

#### **Credit Facility; Primary Security**

It is possible, in the event of the insolvency of the Credit Facility Provider, or the occurrence of some other event precluding the Credit Facility Provider from honoring its obligations to make payments as stated in the Credit Facility, that the Project will be the only source of payment on the Bonds. There can be no assurance that the net operating income from the Project or any other financial resources of the Borrower would be available and sufficient to pay the principal, premium if any, and interest on the Bonds. The Borrower's obligations under the Financing Agreement and other Borrower Documents are, with certain limited exemptions, non-recourse obligations of the Borrower. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

#### **Limited Security**

The Bonds are limited obligations of the Issuer payable solely from certain funds pledged to and held by the Trustee pursuant to the Indenture.

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

THE BONDS ARE NOT SUBJECT TO ACCELERATION OR REDEMPTION (UNLESS FREDDIE MAC SHALL CAUSE, IN ITS SOLE DISCRETION, SUCH ACCELERATION OR REDEMPTION), AND THE RATE OF INTEREST ON THE BONDS IS NOT SUBJECT TO RETROACTIVE ADJUSTMENT, BY REASON OF THE INTEREST ON THE BONDS BEING INCLUDED IN GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION. Such event could occur if the Borrower (or any subsequent owner of the Project) does not comply with the provisions of the Financing Agreement and the Tax Regulatory Agreement, which are designed, if complied with, to

satisfy the continuing compliance requirements the Internal Revenue Code of 1986, as amended (the “1986 Code”), in order for the interest on the Bonds to be excludable from gross income for purposes of federal income tax. Under such circumstances, interest on the Bonds might become subject to federal income taxation retroactive to the date of issuance or some other subsequent date.

### **Early Redemption**

Purchasers of Bonds, including those who purchase Bonds at a price in excess of their principal amount or who hold such a Bond trading at a price in excess of par, should consider the fact that the Bonds are subject to redemption at a redemption price equal to their principal amount plus accrued interest in the event such Bonds are redeemed prior to maturity. 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. See “THE BONDS—Mandatory Redemption.”

### **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 market its services at rates which will enable it to make timely payments on the Bond Mortgage Loan.

### **Competing Facilities**

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

### **Enforceability and Bankruptcy**

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

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

### **Normal Risks**

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

## **Environmental Matters**

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

## **Management of the Project**

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

## **Effect of Increases in Operating Expenses**

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

## **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

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

### **Establishment of Funds**

In addition to the Bond Mortgage Loan Fund and Bond Purchase Fund established pursuant to the Indenture, the Trustee shall establish, maintain and hold in trust the following funds and accounts, each of which shall be disbursed and applied only as therein authorized:

- (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; and
- (f) Rebate Fund.

The Trustee shall, at the written direction of an Authorized Officer of the Issuer, and may, in its discretion, establish such additional accounts within any Fund, and subaccounts within any of the accounts, as the Issuer or the Trustee may deem necessary or useful for the purpose of identifying more precisely the sources of payments into and disbursements from that Fund and its accounts, or for the purpose of complying with the requirements of the Code relating to arbitrage, but the establishment of any such account or subaccount shall not alter or modify any of the requirements of the Indenture with respect to a deposit or use of money in the funds established thereunder, or result in commingling of funds not permitted thereunder.

### **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 provided in the preceding sentence may, to the extent there shall exist any deficiency in the Redemption Fund to redeem Bonds called for mandatory sinking fund redemption on such Interest Payment Date, be transferred to the Redemption Fund to be applied for such purpose. Any balance remaining in the Bond Fund on the Business Day immediately succeeding an Interest Payment Date shall be transferred to the Servicer for payment to the Credit Facility Provider to be applied in accordance with the Reimbursement Agreement.

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

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

### **Application of Redemption Fund**

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

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

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

### **Application of Administration Fund**

Prior to 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; and second, the payment of any fees due and payable to Freddie Mac under the Reimbursement Agreement. Thereafter, amounts in the Administration Fund shall be withdrawn or maintained, as appropriate, by the Trustee and used FIRST, in

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

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

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

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

### **Investment of Funds**

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

mature or be subject to tender or redemption at par on or prior to the earlier of: (i) 30 days from the date of investment or (ii) the date such money is required to be applied pursuant to the provisions of the Indenture. Except as otherwise provided in the preceding sentence, in the absence of written direction from the Borrower and the Credit Facility Provider, the Trustee shall invest amounts on deposit in the funds and accounts established under the Indenture in investments of the type described in subparagraph (g) of the definition of Qualified Investments. Such investments may be made through the investment or securities department of the Trustee. All such Qualified Investments purchased with money in any fund or account thereunder shall mature, or shall be subject to redemption or withdrawal without discount or penalty at the option of the Trustee, prior to the next succeeding Interest Payment Date. The Trustee may purchase from or sell to itself or an affiliate, as principal or agent, securities authorized in the Indenture. Any instruction from the Borrower shall be deemed to include a representation that the investment constitutes a Qualified Investment and is in accordance with the terms of the Indenture and the Tax Certificate. The Trustee shall be entitled to assume, absent receipt by the Trustee of written notice to the contrary, that any investment which at the time of purchase in a Qualified Investment remains a Qualified Investment thereafter.

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

The Issuer and the Borrower (by their execution and delivery of the Financing Agreement) acknowledge that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory agency grant the Issuer or Borrower the right to receive brokerage confirmations of the security transactions as they occur. To the extent permitted by law, the Issuer and the Borrower specifically waives compliance with 12 C.F.R. 12 and thereby notifies the Trustee thereunder, that no brokerage confirmations need be sent relating to the security transactions as they occur.

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

#### **Moneys Held for Particular Bonds; Funds Held in Trust**

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

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

### **Amounts Remaining in Funds**

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

### **Rebate Fund**

The Rebate Fund shall be established by the Trustee and held and applied as provided in the Indenture. On any date on which any amounts are required by applicable federal tax law to be rebated to the federal government, amounts shall be deposited into the Rebate Fund by the Borrower for such purpose. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the rebate requirement (as 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 Rebate Fund shall be governed by the Indenture and by the Tax Certificate. The Trustee shall conclusively be deemed to have complied with such provisions if it follows the written instructions of the Issuer, Bond Counsel or the Rebate Analyst, including supplying all necessary information in the manner set forth in the Tax Certificate, and shall not be required to take any actions under the Tax Certificate in the absence of written instructions from the Issuer, Bond Counsel or the Rebate Analyst.

### **Cost of Issuance Fund**

The Trustee shall use money on deposit to the credit of the Cost of Issuance Fund to pay the costs of issuance on the Delivery Date or as soon as practicable thereafter in accordance with written instructions to be given to the Trustee by the Borrower, as set forth in the closing memorandum prepared by the underwriter for the Bonds (and accepted and agreed to by the Issuer and the Borrower) on the Delivery Date by Requisition, upon delivery to the Trustee of appropriate invoices for such expenses. Amounts in the Costs 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 earnings 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 Borrower. Upon such final disbursement, the Trustee shall close the Cost of Issuance Fund.

The Cost of Issuance Fund shall be reopened in connection with each Reset Adjustment Date and Substitution Date and closed again by the 45th day thereafter subject to the requirements of the preceding paragraph.

### **Events of Default**

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

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

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

(c) failure to observe or perform any of the covenants, agreements or conditions on the part of the Issuer set forth in the Indenture or in the Bonds and the continuance thereof for a period of thirty (30) days (or such longer period, if any, as is specified therein 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 thirty (30) day period through the exercise of diligence and the Issuer commences the required cure within such thirty (30) day period and continues the cure with diligence and the Issuer reasonably anticipates that the default could be cured within sixty (60) days, the Issuer shall have sixty (60) days following receipt of such notice to effect the cure.

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

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

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

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

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

The payment on the Bonds resulting from a declaration of acceleration on the Bonds as the result of a paragraph (a) or (c) Event of Default shall be made from the Credit Facility.

If at any time after the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered, the Issuer, the Borrower or the Credit Facility Provider, as applicable, shall pay to or deposit with the Trustee a sum sufficient to pay all principal of the Bonds then due (other than solely by reason of such declaration) and

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

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

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

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

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee, the Credit Facility Provider or the Bondholders thereunder or under the Financing Agreement, the Tax Regulatory Agreement, the

Credit Facility, the Reimbursement Agreement or any other Bond Financing Document, as applicable, or now or thereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. No waiver of any Event of Default thereunder, whether by the Trustee, the Credit Facility Provider or the Bondholders, shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereto.

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

### **Rights of Bondholders**

If a paragraph (b) Event of Default shall have occurred and is then continuing, and if requested in writing so to do by the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding with respect to which there is a default, and if indemnified to its satisfaction, the Trustee shall exercise one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel or a committee of Responsible Officers, shall deem to be in the best interests of the affected Bondholders. If a paragraph (b) Event of Default shall have occurred and is then continuing, the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding with respect to which an Event of Default has occurred shall have the right at any time, subject to the provisions of the Indenture, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings thereunder, in accordance with the provisions of law and of the Indenture.

### **Rights of the Credit Facility Provider**

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

## Supplemental Indentures

The Issuer and the Trustee may from time to time and at any time, without the consent of, or notice to, any of the Bondholders, but with the prior written consent of the Credit Facility Provider, enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

- (a) to cure any formal defect, omission, inconsistency or ambiguity therein in a manner not materially adverse to the Holder of any Bond to be Outstanding after the effective date of the change;
- (b) to grant to or confer upon the Trustee for the benefit of the Holders of the Bonds any additional rights, remedies, powers or authority that may lawfully be granted or conferred and that are not contrary to or inconsistent with the Indenture or the rights of the Trustee thereunder as theretofore in effect;
- (c) to subject to the lien and pledge of the Indenture additional revenues, properties or collateral;
- (d) to modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute thereafter 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 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) [reserved];
- (h) to modify, alter, amend or supplement the Indenture in connection with the delivery of any Alternate Credit Facility or upon the occurrence of any Reset Adjustment Date;
- (i) to implement or modify any secondary market disclosure requirements; and
- (j) to modify, amend or supplement the Indenture in any other respect which is not materially adverse to the Holders of the Bonds to be Outstanding after the effective date of the change and which does not involve a change described in the Indenture.

With the prior written consent of the Credit Facility Provider, the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the Issuer and the Trustee of such indenture or indentures supplemental thereto as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing in this section contained shall permit, or be

construed as permitting, (a) an extension of the time for payment of or reduction in the Purchase Price, or an extension of the time for payment of, or an extension of the stated maturity or reduction in the principal amount or reduction in the rate of interest on or extension of the time of payment, of interest on, or reduction of any premium payable on the redemption of, any Bonds, or a reduction in the Borrower's obligation on the Bond Mortgage Note, without the consent of the Holders of all of the Bonds then Outstanding, (b) the creation of any lien prior to or on a parity with the lien of the Indenture, (c) a reduction in the aforesaid percentage of the principal amount of Bonds which is required in connection with the giving of consent to any such supplemental indenture, without the consent of the Holders of all of the Bonds then Outstanding, (d) the modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee, (e) a privilege or priority of any Bond over any other Bonds or (f) any action that results in the interest on the Bonds becoming included in gross income for federal income tax purposes or (g) the modification of the rights, duties or immunities of the Remarketing Agent, without the written consent of the Remarketing Agent.

### **Trustee**

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

No provision of the Indenture shall be construed to relieve the Trustee from liability for its breach of trust, own negligence or willful misconduct, except to the extent set forth in the Indenture.

Except as otherwise provided in the Indenture, the Trustee may rely upon the authenticity or truth of the statements and the correctness of the opinions expressed in, and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, notarial seal, stamp, acknowledgment, verification, request, consent, order, bond, or other paper or document of the purportedly proper party or parties.

In the administration of the trusts of the Indenture, the Trustee may execute any of the trusts or powers granted by the Indenture directly or through its agents, receivers or attorneys, and the Trustee may consult with counsel (who may be counsel for the Issuer, the Servicer or the Credit Facility Provider) and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken or permitted by it under the Indenture in good faith and in accordance with the opinion of such counsel.

Whenever in the administration of the trusts of the Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or permitting any action under the Indenture, such matters (unless other evidence in respect thereof be specifically prescribed in the Indenture), may in the absence of negligence or willful misconduct on the part of the Trustee, be deemed to be conclusively proved and established by a certificate of an officer or authorized agent of the Issuer or the Borrower and such certificate shall in the absence of bad faith on the part of the Trustee be full warrant to the Trustee for any action taken or permitted by it under the provisions of the Indenture, but in its discretion the Trustee may in lieu thereof accept other evidence of such matter or may require such further or additional evidence as it may deem reasonable.

The recitals in the Indenture and in the Bonds (except the Trustee's certificate of authentication thereon) shall be taken as the statements of the Issuer and the Borrower and shall not be considered as made by or imposing any obligation or liability upon the Trustee. The Trustee makes no representations

as to the value or condition of the Trust Estate or any part thereof, or as to the title of the Issuer or the Borrower to the Trust Estate, or as to the security of the Indenture, or of the Bonds issued under the Indenture, and the Trustee shall incur no liability or responsibility in respect of any of such matters.

The Trustee shall not be personally liable for debts contracted or liability for damages incurred in the management or operation of the Trust Estate; and every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this paragraph.

The Trustee shall not be required to ascertain or inquire as to the performance or observance of any of the covenants or agreements (except to the extent they obligate the Trustee) in the Indenture or in any contracts or securities assigned or conveyed to or pledged with the Trustee under the Indenture, except Events of Default that are evident under paragraphs (a) or (b) under “Events of Default; Acceleration; Remedies” above. The Trustee shall not be required to take notice or be deemed to have notice or actual knowledge of any default or Event of Default specified in the Indenture unless the Trustee shall receive from the Issuer, the Credit Facility Provider or the Holders of more than 51 percent of the aggregate principal amount of the Bonds then Outstanding written notice stating that a default or Event of Default has occurred and specifying the same, and in the absence of such notice the Trustee may conclusively assume that there is not such default. Every provision contained in the Indenture or related instruments or in any such contract or security wherein the duty of the Trustee depends on the occurrence and continuance of such default shall be subject to the provisions of this paragraph.

None of the provisions contained in the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

There shall at all times be a Trustee under the 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 Indenture. If such corporation or association publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this paragraph the combined capital and surplus of such corporation or association 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 this paragraph, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

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

The Trustee may at any time resign from the trusts created by the Indenture by giving written notice to the Issuer, the Borrower, the Remarketing Agent and the Credit Facility Provider, and by giving notice by certified mail or overnight delivery service to each Holder of the Bonds then Outstanding. Such notice to the Issuer, the Borrower and the Credit Facility Provider may be served personally or sent by certified mail or overnight delivery service. The resignation of the Trustee shall not be effective until a successor Trustee has been appointed, as provided in the Indenture, and such successor Trustee has agreed in writing to be bound by the duties and obligations of the Trustee under the Intercreditor Agreement. If no successor Trustee shall have been appointed and shall have accepted appointment within 60 days following delivery of all required notices of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

The Trustee may be removed at any time, either with or without cause, with the consent of the Credit Facility Provider (which consent shall not be unreasonably withheld) by a written instrument, signed by the Issuer and delivered to the Trustee, the Borrower and the Remarketing Agent, and if an Event of Default shall have occurred and be continuing, if other than a Paragraph (b) Event of Default, by a written instrument signed by the Credit Facility Provider and delivered to the Trustee, the Issuer, the Borrower and the Remarketing Agent. If a Paragraph (b) Event of Default shall have occurred and be continuing, the Trustee may be removed by a written instrument or concurrent instruments in writing signed by the Holders of more than 51 percent of the aggregate principal amount of the Bonds then Outstanding and delivered to the Trustee, the Issuer, the Borrower, the Remarketing Agent and the Credit Facility Provider. The Trustee may also be removed by the Credit Facility Provider following notice to the Issuer and after a thirty (30) day period during which the Issuer may attempt to cause the Trustee to discharge its duties in a manner acceptable to Credit Facility Provider, and in each case written notice of such removal shall be given to the Servicer, the Borrower, the Remarketing Agent and to each registered Owner of Bonds then Outstanding as shown on the Bond Registrar. Any such removal shall take effect on the day specified in such written instrument(s), but the Trustee shall not be discharged from the trusts created by the 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 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 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 Indenture, and the Issuer, with the written consent of the Credit Facility Provider, shall promptly appoint a successor Trustee and give notice of such appointment to the Remarketing Agent. 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, in any one or more of the following ways:

- (a) by the payment of the principal of (including redemption premium, if any) and interest on all Bonds outstanding; or
- (b) by (i) the deposit or credit to the account of the Trustee, in trust, of money or securities in the necessary amount (as provided in the Indenture) to pay the principal, redemption price or Purchase Price and interest to the date established for redemption whether by redemption

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

(c) by the delivery to the Trustee, for cancellation by it, of all Bonds Outstanding; and shall have paid all amounts due and owing to the Credit Facility Provider thereunder and under the Credit Facility and the Reimbursement Agreement, including but not limited to the Freddie Mac Reimbursement Amount and the Freddie Mac Credit Enhancement Fee, and shall have paid all fees and expenses of and any other amounts due to the Trustee, the Servicer, the Dissemination Agent, the Rebate Analyst and each Paying Agent, and if the Issuer shall keep, perform and observe all and singular the covenants and promises in the Bonds and in the Indenture expressed as to be kept, performed and observed by it or on its part, then these presents and the estates and rights thereby granted shall cease, determine and be void, and thereupon the Trustee shall cancel and discharge the lien of the Indenture and execute and deliver to the Issuer such instruments in writing as shall be requisite to satisfy the lien thereof, 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 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 Indenture or the payment of any amounts payable to the Credit Facility Provider.

Any Outstanding Bond shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section 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, pursuant to the Indenture, 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; and (d) the Trustee shall have received an opinion of nationally recognized bankruptcy counsel, if required by subpart (e) of the definition of "Eligible Funds" therein, to the effect that such money constitutes Eligible Funds.

#### **SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT**

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

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.

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

The Bond Mortgage Loan shall (a) be evidenced by the Bond Mortgage Note; (b) be initially secured by the Credit Facility; (c) be in the principal amount of \$15,520,000; (d) bear interest as provided in the Bond Mortgage Note; (e) provide for monthly payments into the Principal Reserve Fund in accordance with the Principal Reserve Schedule; and (f) be subject to optional and mandatory prepayment at the times, in the manner and on the terms, and have such other terms and provisions, as provided therein and in the Bond Mortgage Note.

The Servicer shall service the Bond Mortgage Loan pursuant to the Commitment and the Guide. The Issuer, the Trustee and the Borrower acknowledge and agree that (a) selection or removal of any Servicer is in the sole and absolute discretion of the Credit Facility Provider; (b) 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; (c) the Commitment and the Guide are both subject to amendment without the consent of the Trustee, the Issuer or the Borrower; and (d) none of the Trustee, the Issuer or the Borrower shall have any rights under, or be a third party beneficiary of, the Guide. The Servicer shall have the right to collect all payments made by the Borrower in connection with the Bond Mortgage Loan and to receive copies of all reports and notices provided for by the Bond Financing Documents.

### **Initial Deposits**

On the Delivery Date, proceeds of the Bonds in the amount of \$15,520,000 shall be deposited in the Bond Mortgage Loan Fund. Amounts in the Bond Mortgage Loan Fund are to be disbursed to the Borrower as provided in the Indenture. The Borrower will deposit with the Trustee a sum sufficient to pay certain costs of issuance of the Bonds for credit to the Cost of Issuance Fund.

To the extent that amounts in the Cost of Issuance Fund are insufficient to pay all costs of issuing the Bonds, the Borrower will cause the payment of such additional costs of issuing the Bonds to be made on its behalf as such amounts become due.

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

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

The obligations of the Borrower are non-recourse (see “Obligations of Borrower Are Non-Recourse” below); provided, however, that the following obligations of the Borrower shall be and remain the joint and several full recourse obligations of the Borrower (subject to the provisions of the Indenture and the Intercreditor Agreement) and each of the Borrower’s general partners, payable from and enforceable against any and all income, assets and properties of the Borrower: (i) the Borrower’s obligations to the Issuer and the Trustee, in consideration of the funding of the Bond Mortgage Loan, to pay certain fees, expenses and other money payable in connection with the Bond Mortgage Loan as provided in the Financing Agreement; (ii) the Borrower’s obligations to indemnify and hold harmless the Issuer and the Trustee and their respective officers, directors, officials, employees, agents, attorneys, accountants, advisors, consultants and servants, past, present or future, as provided in the Financing Agreement; (iii) the Borrower’s obligation to pay any and all rebate amounts that may be or become owing with respect to the Bonds as provided in the Financing Agreement and the Tax Certificate; and (iv) the Borrowers obligation to pay legal fees and such expenses as provided in the Financing Agreement.

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

In addition to the payments set forth in the Financing Agreement, payments to be made by the Borrower under the Bond Mortgage Note include certain money to be paid in respect of, among others, the Bond Fee Component, the Ordinary Servicing Fees and Expenses, the Freddie Mac Credit Enhancement Fee, any annual rating maintenance fees of the Rating Agency and amounts required to be deposited in any Custodial Escrow Account pursuant to the Bond Mortgage Loan Documents. To the extent that any portion of the Bond Fee Component, 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 shall be payable from money on deposit in the Administration Fund as provided in the Indenture or from other money of the Borrower, to the extent that money in the Administration Fund is insufficient for such purposes. All other fees and expenses shall be payable from money of the Borrower as provided in the Financing Agreement.

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

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

In connection with any prepayment, whether optional or mandatory, in addition to all other payments required under the Bond Mortgage Note, the Borrower shall pay, or cause to be paid to the Servicer or other party as directed by the Credit Facility Provider (or, if no Credit Facility is then in

effect, to the Trustee), an amount sufficient to pay the redemption price of the Bonds to be redeemed, including principal, interest and premium (if any), such premium to be paid with Eligible Funds not consisting of funds drawn under the Credit Facility, and further including any interest to accrue with respect to the Bond Mortgage Loan and such Bonds between the prepayment date and the redemption date, together with a sum sufficient to pay all fees, costs and expenses in connection with such redemption and, in the case of redemption in whole, to pay all other amounts payable under the Financing Agreement, the Indenture and the Reimbursement Agreement. The Borrower shall provide notice of the prepayment to the Issuer, the Trustee, the Remarketing Agent, the Credit Facility Provider and the Servicer in writing forty-five (45) days, or such shorter time as is possible in the case of mandatory prepayments, prior to the date on which the Borrower will make the prepayment. Each such notice shall state, to the extent such information is available (a) the amount to be prepaid, (b) the date on which the prepayment will be made by the Borrower, and (c) the cause for the prepayment, if any.

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

In the event of any redemption, the Borrower will timely pay, or cause to be paid through the Servicer, to the Trustee an amount equal to the principal amount of such Bonds or portions thereof called for redemption, together with interest accrued to the redemption date and premium, if any, such premium to be paid with Eligible Funds not consisting of funds drawn under the Credit Facility. In addition, the Borrower will timely pay all fees, costs and expenses associated with any redemption of Bonds. In connection with any reset of the interest rate borne by the Bonds pursuant to the Indenture, the Borrower shall provide the items required by the Indenture. On any mandatory tender date under and as provided in the Indenture, the Borrower will cause to be paid, under and subject to the terms of the Credit Facility and the Reimbursement Agreement, to the Trustee by the applicable times provided in the Indenture an amount equal to the principal amount of such Bonds required to be tendered, together with interest accrued thereon to the mandatory tender date. The Borrower acknowledges that Purchased Bonds will be purchased by the Trustee for and on behalf of, and registered in the name of, the Borrower and will be pledged to the Credit Facility Provider pursuant to the Pledge Agreement.

### **Tax Compliance**

In the Financing Agreement, the Borrower has covenanted that it will not use the proceeds of the Bonds, the earnings thereon and any other moneys on deposit in any fund or account maintained in respect of the Bonds (whether such moneys were derived from the proceeds of the sale of the Bonds or from other sources) in a manner which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the 1986 Code, and has covenanted that it will comply with the provisions of the Proceeds Certificate applicable to the Borrower.

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

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

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

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

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

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

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

The provisions of this section are subject to the further limitation that if, after any Event of Default thereunder all amounts which would then be payable thereunder by the Borrower if such Event of Default had not occurred and was not continuing shall have been paid by or on behalf of the Borrower, and the Borrower shall have also performed all other obligations in respect of which it is then in default thereunder, and shall have paid the reasonable charges and expenses of the Issuer, the Trustee, the Servicer and the Credit Facility Provider, including reasonable attorneys' fees paid or incurred in connection with such default, and shall have paid all amounts owed 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 Indenture, then and in every such case such Event of Default under the Financing Agreement shall be waived and annulled, but no such waiver or annulment shall affect any subsequent or other Event of Default or impair any right consequent thereon.

## **SUMMARY OF CERTAIN PROVISIONS OF THE TAX REGULATORY AGREEMENT**

The information in this section applies to the Regulatory Agreement. Documents and defined terms referenced in this section apply to the Project and the Bonds. This 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 Issuer and the Trustee.

### **Definitions and Interpretation**

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

“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.

“CDLAC Conditions” has the meaning given such term in the Tax Regulatory Agreement.

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

“City” means the City of Citrus Heights, California.

“County” means the County of Sacramento, California.

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

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

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

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

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

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

"Project Costs" means (i) costs incurred directly or indirectly for or in connection with the acquisition, rehabilitation or equipping of the Project, including, but not limited to, those for preliminary planning and studies, architectural, legal, engineering and supervisory services, labor, services, materials, fixtures, and equipment; (ii) premiums attributable to all insurance required to be taken out with respect to the Project, the premium on each surety bond, if any, required with respect to work on the Project, and taxes, assessments and other charges in respect of the Project, that may become due and payable; (iii) costs incurred directly or indirectly in seeking to enforce any remedy against any contractor, subcontractor, materialman or other agent in respect of any default under any contract relating to the Project; (iv) financing, legal, financial advisory, underwriting, placement, accounting, printing and engraving fees, charges and expenses, and all other such fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of the Bonds and the preparation and delivery of the Loan Documents and related documents as long as such disbursements do not exceed two percent (2%) of the proceeds of the Bonds pursuant to Section 147(g) of the Code; and (v) any other incidental and necessary costs, expenses, fees and charges relating to the acquisition, rehabilitation or equipping of the Project; title charges, surveys, commitment fees, appraisal fees and recording fees.

“Project Status Report” means the report to be filed by the Owner with the Administrator, on behalf of the Issuer, and the Trustee pursuant to the Tax Regulatory Agreement, which shall be substantially in the form attached to the Tax Regulatory Agreement or in such other comparable form as may be provided by the Issuer to the Owner, or as otherwise approved by the Issuer.

"Qualified Project Costs" means costs paid with respect to the Project that meet each of the following requirements: (i) the costs are properly chargeable to capital account (or would be so chargeable with a proper election by the Owner or but for a proper election by the Owner to deduct such costs) in accordance with general Federal income tax principles and in accordance with United States Treasury Regulations §1.103-8(a)(1), provided, however, that only such portion of interest accrued during rehabilitation or construction of the Project (in the case of rehabilitation, with respect to vacated units only) shall be eligible to be a Qualified Project Cost as bears the same ratio to all such interest as the Qualified Project Costs bear to all Project Costs; and provided further that interest accruing after the date of completion of the Project shall not be a Qualified Project Cost; and provided still further that if any portion of the Project is being constructed or rehabilitated by an Affiliate (within the meaning of the Code) (whether as a general contractor or a subcontractor), Qualified Project Costs shall include only (A) the actual out-of-pocket costs incurred by such Affiliate in constructing or rehabilitating the Project (or any portion thereof), (B) any reasonable fees for supervisory services actually rendered by the Affiliate, and (C) any overhead expenses incurred by the Affiliate which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the rehabilitation or construction of the Project or payments received by such Affiliate due to early completion of the Project (or any portion thereof); (ii) the costs are paid with respect to a qualified residential rental project or projects within the meaning of Section 142(d) of the Code, (iii) the costs are paid after the earlier of 60 days prior to the date of a declaration of "official intent" to reimburse costs paid with respect to the Project (within the meaning of §1.150-2 of the United States Treasury Regulations) or the date of issue of the Bonds, and (iv) if the Project Costs were previously paid and are to be reimbursed with proceeds of the Bonds such costs were (A) costs of issuance of the Bonds, (B) preliminary capital expenditures (within the meaning of United States Treasury Regulations §1.150-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of acquisition or rehabilitation of the Project that do not exceed twenty percent (20%) of the issue price of the Bonds (as defined in United States Treasury Regulations §1.148-1), or (C) were capital expenditures with respect to the Project that are reimbursed no later than eighteen (18) months after the later of the date the expenditure was paid or the date the Project is placed in service (but no later than three (3) years after the expenditure is paid).

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

- (A) the date that is fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied;
- (B) the first date on which no Tax-Exempt private activity bonds with respect to the Project are Outstanding;
- (C) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates; or
- (D) such later date as set forth in the Tax Regulatory Agreement;

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

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

“Tax-Exempt” means with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from gross income for federal income tax purposes; provided, however, that such interest may be includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

“Transfer” means the conveyance, assignment, sale or other disposition and of all or any portion of the Project; and shall also include, without limitation to the foregoing, the following: (1) an installment sales agreement wherein Owner agrees to sell the Project or any part thereof for a price to be paid in installments; and (2) an agreement by the Owner 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 Owner 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 Tax Regulatory Agreement, the Owner represents, covenants, warrants and agrees as follows:

(a) The Project will be rehabilitated, developed and operated for the purpose of providing multifamily residential rental property. The Owner 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 Tax 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 shall the Owner take any steps in connection with a conversion to such ownership or use, and the Owner will not take any steps in connection with a conversion of the Project to condominium ownership during the Qualified Project Period (except that the Owner 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 Tax 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 Tax Regulatory Agreement means the general senior population (pursuant to California Civil Code Section 51.3), and the Owner 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 shall be occupied by the Owner; provided, however, that if the Project contains five or more dwelling units, this provision shall 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 Owner.

(h) The Owner shall deliver to the Administrator and the Servicing Agent, (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 Owner represents, warrants and covenants as follows:

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

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

(c) For the Qualified Project Period, the Owner 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 Owner 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 after 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 shall be attached to the Certificate of Continuing Program Compliance or the Project Status Reports to be filed under the Tax Regulatory Agreement, or shall otherwise be submitted to the Administrator, the Issuer and/or the Trustee, as requested.

The Owner shall make a good faith effort to verify that the income information provided by an applicant in a 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.

(d) The Owner 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 Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Owner pertaining to the Project, including those records pertaining to the occupancy of the Low Income Units.

(e) The Owner 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 Owner. During the Qualified Project Period, the Owner shall submit a completed Internal Revenue Code Form 8703 or such other annual certification as required by the Code with respect to the Project, to the Secretary of the Treasury on or before January 31 of each year (or such other date as may be required by the Code).

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

Agreement, the unit occupied by such tenant may cease to qualify as a Low Income Unit and such unit's rent may be subject to increase.

For purposes of this heading, no unit occupied by a residential manager shall be treated as a rental unit during the time of such occupation.

### **Transfer of the Project**

For the Qualified Project Period, the Owner shall not Transfer the Project, in whole or in part, without the prior written consent of the Issuer, which consent shall not be unreasonably withheld or delayed if the following conditions are satisfied: (A) the receipt by the Issuer of evidence acceptable to the Issuer that (1) the Owner shall not be in default under the Tax Regulatory Agreement or under the Financing Agreement, if in effect (which may be evidenced by a Certificate of Continuing Program Compliance), or the transferee undertakes to cure any defaults of the Owner to the reasonable satisfaction of the Issuer; (2) the continued operation of the Project shall comply with the provisions of the Tax Regulatory Agreement; (3) either (a) the transferee or its property manager has at least three years' experience in the ownership, operation and management of similar size rental housing projects, and at least one year's experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects, or (b) the transferee agrees to retain a property management firm with the experience and record described in subclause (a) above, or (c) the transferring Owner or its management company will continue to manage the Project, or another management company reasonably acceptable to the Issuer will manage, for at least one year following such Transfer and, if applicable, during such period the transferring Owner or its management company will provide training to the transferee and its manager in the responsibilities relating to the Low Income Units; and (4) the person or entity that is to acquire the Project does not have pending against it, and does not have a history of significant and material building code violations or complaints concerning the maintenance, upkeep, operation, and regulatory agreement compliance of any of its projects as identified by any local, state or federal regulatory agencies; (B) the execution by the transferee of any document reasonably requested by the Issuer with respect to the assumption of the Owner's obligations under the Tax Regulatory Agreement and the Financing Agreement (if then in effect), including without limitation an instrument of assumption of the Tax Regulatory Agreement and of the Financing Agreement, and delivery to the Issuer of an opinion of such transferee's counsel to the effect that each such document and the Tax Regulatory Agreement are valid, binding and enforceable obligations of such transferee, subject to bankruptcy and other standard limitations affecting creditor's rights; (C) receipt by the Issuer and the Trustee of an opinion of Bond Counsel to the effect that any such Transfer will not adversely affect the Tax-Exempt status of interest on the Bonds; and (D) receipt by the Issuer of all fees and/or expenses then currently due and payable to the Issuer by the Owner.

It is expressly stipulated and agreed that any Transfer of the Project in violation of this heading shall be null, void and without effect, shall cause a reversion of title to the Owner, and shall be ineffective to relieve the Owner of its obligations under the Tax Regulatory Agreement. The written consent of the Issuer to any Transfer of the Project shall constitute conclusive evidence that the Transfer is not in violation of this heading. Nothing under this heading shall affect any provision of any other document or instrument between the Owner and any other party that requires the Owner to satisfy certain conditions or obtain the prior written consent of such other party in order to Transfer the Project. Upon any Transfer that complies with the Tax Regulatory Agreement, the Owner shall be fully released from its obligations under the Tax Regulatory Agreement to the extent such obligations have been fully assumed in writing by the transferee of the Project.

The foregoing notwithstanding, the Project may be transferred pursuant to a foreclosure, exercise of power of sale or deed in lieu of foreclosure or comparable conversion under a deed of trust that secures the obligations of the Owner in connection with the Loan or in connection with credit enhancement for the Bonds, in either case without the consent of the Issuer or compliance with the provisions of this heading. It is expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this heading shall be null, void and without effect, shall cause a reversion of title to the Owner, and shall be ineffective to relieve the Owner of its obligations under the Tax Regulatory Agreement. The written consent of the Issuer to any transfer of the Project shall constitute conclusive evidence that the transfer is not in violation of this heading. The Issuer approves the transfer of limited partnership interests in the Owner to affiliates of Investor Limited Partner and the transfer of non-managing member or partner interests in the Investor Limited Partner.

For the Qualified Project Period, the Owner shall not: (1) encumber any of the Project or grant commercial leases of any part thereof, or permit the conveyance, transfer or encumbrance of any part of the Project, except for (A) Permitted Encumbrances, or (B) a Transfer in accordance with the terms of the Tax Regulatory Agreement, in each case upon receipt by the Issuer and the Trustee of an opinion of Bond Counsel to the effect that such action will not adversely affect the Tax-Exempt status of interest on the Bonds (provided that such opinion will not be required with respect to any encumbrance, lease or transfer relating to a commercial operation or ancillary facility that will be available for tenant use and is customary to the operation of multifamily housing developments similar to the Project); (2) demolish any part of the Project or substantially subtract from any real or personal property of the Project, except to the extent that what is demolished or removed is replaced with comparable property or such demolition or removal is otherwise permitted by the Financing Agreement or the Deed of Trust; or (3) permit the use of the dwelling accommodations of the Project for any purpose except rental residences.

## **Term**

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

The terms of the Tax Regulatory Agreement to the contrary notwithstanding, the Tax Regulatory Agreement shall terminate and be of no further force and effect in the event of involuntary noncompliance with the provisions of the Tax 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 thereof; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained in the Tax Regulatory Agreement shall 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 Owner 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 Owner agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Owner 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 Tax Regulatory Agreement, the Tax Regulatory Agreement may be terminated upon agreement by the Issuer, the Trustee and the Owner 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 Tax Regulatory Agreement, the parties thereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms thereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of the Tax Regulatory Agreement in accordance with its terms.

### **Covenants to Run With the Land**

Notwithstanding Section 1461 of the California Civil Code, the Owner subjects the Project to the covenants, reservations and restrictions set forth in the Tax Regulatory Agreement. The Issuer and the Owner thereby declare their express intent that the covenants, reservations and restrictions set forth therein shall be deemed covenants running with the land and shall pass to and be binding upon the Owner's successors in title to the Project; provided, however, that on the termination of the Tax Regulatory Agreement said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument thereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

### **Default; Enforcement**

If the Owner defaults in the performance or observance of any covenant, agreement or obligation of the Owner set forth in the Tax Regulatory Agreement, and if such default remains uncured for a period of 60 days after notice thereof shall have been given by the Issuer, the Servicing Agent or the Trustee to the Owner, then the Issuer or the Trustee shall declare an "Event of Default" to have occurred under the Tax Regulatory Agreement; provided, however, that if the default is of such a nature that it cannot be corrected within 60 days, such default shall not constitute an Event of Default under the Tax Regulatory Agreement so long as (i) the Owner institutes corrective action within said 60 days and diligently pursues such action until the default is corrected, and (ii) in the opinion of Bond Counsel, the failure to cure said default within 60 days will not adversely affect the Tax-Exempt status of interest on the Bonds. The Issuer and the Trustee shall have the right to enforce the obligations of the Owner under the Tax Regulatory Agreement within shorter periods of time than are otherwise provided therein if necessary to insure compliance with the Housing Law or the Code.

Following the declaration of an Event of Default under the Tax Regulatory Agreement, the Issuer or the Trustee, at the written direction of Issuer, subject to the terms of the Indenture, may take any one or more of the following steps, in addition to all other remedies provided by law or equity:

(i) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Owner to perform its obligations and covenants under the Tax Regulatory Agreement or enjoin any acts or things that may be unlawful or in violation of the rights of the Issuer or the Trustee thereunder;

(ii) have access to and inspect, examine and make copies of all of the books and records of the Owner pertaining to the Project;

(iii) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Owner under the Tax Regulatory Agreement; and

(iv) with the consent of the Servicing Agent, which consent shall not be unreasonably withheld, declare a default under the Financing Agreement, as applicable, and proceed with any remedies provided therein.

During the Qualified Project Period, the Issuer shall have the right, upon either (a) the expiration of sixty (60) days after the giving of the notice to the Owner referred to in the first paragraph of this heading of the Owner's default under the Tax Regulatory Agreement or (b) the vacancy of a Very Low Income Unit for more than one (1) year, to lease up to forty percent (40%) of the units in the Project for a rental of \$1.00 per unit per year for the purpose of subleasing such units to Very Low Income Tenants on a month-to-month basis, but only to the extent necessary to comply with the provisions of the Tax Regulatory Agreement and to insure full occupancy of the Very Low Income Units. The right of the Issuer to lease Very Low Income Units shall be effective only if the Owner has not instituted corrective action before the end of the 60-day period referenced in (a) above, or the Owner has not rented the unit(s) during the one-year or longer period referenced in (b) above, to a Very Low Income Tenant. Any leases by the Issuer under this provision shall terminate upon the achievement, by the Owner or the Issuer, of compliance with the requirements of the Tax Regulatory Agreement, and any subleases entered into by the Issuer with Very Low Income Tenants shall be deemed to be leases from the Owner. The Issuer shall make diligent effort, but shall not be required, to rent Very Low Income Units to Very Low Income Tenants for monthly rental amounts equivalent to monthly rental amounts collected from tenants of similar Very Low Income Units in the Project, subject to the limits of the Tax Regulatory Agreement. Any rental paid under any such sublease shall be paid to the Owner after the Issuer has been reimbursed for any administrative costs and expenses incurred in connection with such sublease.

The Owner agrees that specific enforcement of the Owner's agreements contained in the Tax Regulatory Agreement is the only means by which the Issuer may fully obtain the benefits of the Tax Regulatory Agreement made by the Owner therein, and the Owner therefore agrees to the imposition of the remedy of specific performance against it in the case of any Event of Default by the Owner thereunder.

It is acknowledged and agreed by the Owner and the Issuer that one of the primary purposes of the Tax Regulatory Agreement is to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. The owners of the Bonds are declared an intended third party beneficiary of the Tax Regulatory Agreement and shall be entitled to enforce the provisions thereof in the event of any default thereunder.

The Issuer and the Trustee agree that cure of any Event of Default made or tendered by any partner of the Owner shall be deemed to be a cure by the Owner and shall be accepted or rejected on the same basis as if made or tendered by the Owner.

All fees, costs and expenses (including attorney's fees) of the Trustee and the Issuer incurred in taking any action pursuant to this heading shall be the sole responsibility of the Owner; provided, however, that in the event that any action arises under the Tax Regulatory Agreement in which the Owner and the Trustee are adversaries, the prevailing party, if any, shall be entitled to recover legal fees and costs from the other party.

#### **Amendments; Waivers**

Except as provided in therein, the Tax Regulatory Agreement may be amended only by a written instrument executed by the parties thereto or their successors in title, and duly recorded in the real property records of the County, and only upon (i) receipt by the Issuer and the Trustee of an opinion from Bond Counsel that such amendment will not adversely affect the Tax-Exempt status of interest on the

Bonds and is not contrary to the provisions of the Housing Law and (ii) the written consent of the Servicing Agent, who shall receive a copy of any such amendment.

Anything to the contrary contained therein notwithstanding, the Issuer, the Trustee and the Owner agree to amend the Tax Regulatory Agreement to the extent required, in the opinion of Bond Counsel, in order that interest on the Bonds remains Tax-Exempt. The parties requesting such amendment shall notify the other parties to the Tax Regulatory Agreement of the proposed amendment, with a copy of such proposed amendment to Bond Counsel and a request that Bond Counsel render to the Issuer and the Trustee an opinion as to the effect of such proposed amendment upon the Tax-Exempt status of interest on the Bonds. This provision shall not be subject to any provision of any other agreement requiring any party to the Tax Regulatory Agreement to obtain the consent of any other person in order to amend the Tax Regulatory Agreement.

Any waiver of, or consent to, any condition under the Tax Regulatory Agreement must be expressly made in writing.

### **Freddie Mac Rider**

During such time that Freddie Mac is the Credit Facility Provider, the provisions of the Freddie Mac Rider attached to the Tax Regulatory Agreement (the "Freddie Mac Rider") are incorporated into the Tax Regulatory Agreement by reference as if fully set forth in the Tax Regulatory Agreement. Notwithstanding anything contained in the Tax Regulatory Agreement or in the Freddie Mac Rider, in no event shall the provisions of the Freddie Mac Rider be construed to contravene State law.

### **SUMMARY OF CERTAIN PROVISIONS OF THE INTERCREDITOR AGREEMENT**

The Issuer, the Trustee and Freddie Mac have agreed upon their respective rights arising from an Event of Default under any Bond Financing Document in the Intercreditor Agreement. The following is a brief summary of certain provisions of the Intercreditor Agreement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full text of the Intercreditor Agreement, a copy of which is on file with the Trustee.

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

### **CONTINUING DISCLOSURE**

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

The Borrower is entering into a Continuing Disclosure Agreement dated as of December 1, 2009 (the "Disclosure Agreement") with the Trustee, acting as the Dissemination Agent, obligating the Borrower to send, or cause to be sent, certain financial information with respect to the Project to the Municipal Securities Rulemaking Board annually and to provide notice, or cause notice to be provided, to the Municipal Securities Rulemaking Board of certain enumerated events for the benefit of the Beneficial Owners and Holders of any of the Bonds, in order to meet the requirements of Section (b)(5)(i) of Securities Exchange Commission Rule 15c2-12 (the "Rule"). A form of the Disclosure Agreement is attached hereto as Appendix D.

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

### **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel, subject to certain qualifications described below under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, except during any period while a Bond is held by a "substantial user" of the facilities financed by the Bonds or 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.

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

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

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

The proposed form of opinion of Bond Counsel with respect to the Bonds is attached hereto as Appendix B.

## **THE BORROWER'S SPECIAL ADVISOR**

Citigroup Global Markets Inc. has served as the Borrower's Special Advisor in connection with the issuance of the Bonds and will be paid a fee on the Delivery Date equal to .50% of the principal amount of the Bonds plus an amount to reimburse Citigroup Global Markets Inc. for payment of the fees and expenses of its counsel.

## **RATING**

Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. (the "Rating Agency") has assigned the rating to the Bonds as shown on the cover page of this Official Statement. The rating reflects only the view of the Rating Agency, and an explanation of the significance of such rating may be obtained directly from the Rating Agency. There is no assurance that the current rating will continue for any given period of time or that the current rating will not be revised downward or withdrawn entirely if, in the judgment of the Rating Agency, circumstances so warrant. Any such downward revision or withdrawal of the rating on a series of Bonds may have an adverse effect on the market price of such Bonds.

## **CERTAIN LEGAL MATTERS**

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, as Bond Counsel, which will be furnished at the expense of the Borrower upon delivery of the Bonds (the "Bond Opinion"). The Bond Opinion will be limited to matters relating to authorization and validity of the Bonds and to the tax-exempt status of the Bonds as described herein under the caption "TAX MATTERS." Bond Counsel has not been engaged to investigate the financial resources of the Borrower, the Servicer, Freddie Mac or any other source of payment of the Bonds, and the Bond Opinion will make no statement as to such matters.

Certain legal matters will be passed upon for the Issuer by its in-house counsel, for the Borrower by its counsel, Bocarsly Emden Cowan Esmail Parker & Arndt LLP, Los Angeles, California, for Freddie Mac by its Legal Department and by its special counsel, Kutak Rock LLP, Omaha, Nebraska, and by Eichner & Norris PLLC, Washington, D.C., as disclosure counsel. Payment of the fees of certain counsel to the transaction is contingent upon the execution and delivery of the Bonds as described herein.

Except as set forth below, Bond Counsel has not prepared and does not pass upon the fairness, accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for or an expression of any kind with regard to the accuracy or completeness of any information contained herein. Bond Counsel has reviewed the information appearing under the captions "THE BONDS" (other than under the caption "—Book-Entry Only System" and "Disclosure Concerning Sale by the Remarketing Agent"), "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE," "SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT," "SUMMARY OF CERTAIN PROVISIONS OF THE TAX REGULATORY AGREEMENT," "TAX MATTERS" and applicable portions of the "INTRODUCTION" and in Appendix A and Appendix B.

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**

In connection with the issuance of the Bonds, the Issuer is delivering certificates to the effect that, to the knowledge of the authorized member of the Issuer, no litigation is pending or threatened against the Issuer (i) to restrain or enjoin the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they 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 any of the Indenture, the Financing Agreement, the Tax Regulatory Agreement or the Bonds.

#### **The Borrower**

In connection with the issuance of the Bonds, the Borrower is delivering a certificate to the effect that, there are no pending or, to the knowledge of the Borrower, threatened proceedings or litigation against the Borrower affecting the ability of the Borrower to enter into or deliver the Financing Agreement or the Regulatory Agreement, seeking to restrain or enjoin the Borrower's execution and delivery of the agreements described in this Official Statement, or contesting the existence of powers of the Borrower with respect to the transactions described in this Official Statement.

### **ENFORCEABILITY OF REMEDIES**

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

### **MISCELLANEOUS**

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

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

[Remainder of page intentionally left blank]

This Official Statement has been approved and delivered by the Issuer.

**ABAG FINANCE AUTHORITY FOR NONPROFIT  
CORPORATIONS**

By: \_\_\_\_\_

Secretary

[Signatures continued on next page]

[Counterpart signature page to Official Statement]

The execution and delivery of this Official Statement, and its distribution and use, has been approved by the Borrower.

**VINTAGE OAKS SENIOR APARTMENTS, L.P.**, a  
California limited partnership

By: USA Vintage Oaks, Inc., a California  
corporation

Its: Administrative General Partner

By:   
Name: Edward R. Herzog  
Title: Chief Financial Officer

By: RCC Vintage Oaks, LLC, a limited liability  
company

Its: Managing General Partner

By: Riverside Charitable Corporation

Its: Manager

By:   
Name: Kenneth S. Robertson  
Title: President

## APPENDIX A

### DEFINITIONS OF CERTAIN TERMS

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

“Act” means Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California in accordance with Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California, as amended.

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

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

“Alternate Credit Facility Provider” means the provider of an Alternate Credit Facility.

“Authorized Denomination” means \$10,000 principal amount or any integral multiple thereof within a maturity.

“Authorized Officer” means (a) when used with respect to the Issuer, the President, Chief financial Officer and Secretary of the Issuer and such additional Person or Persons, if any, duly designated by the Issuer in writing to act on its behalf, (b) when used with respect to the Borrower, any general partner of the Borrower and such additional Person or Persons, if any, duly designated by the Borrower in writing to act on its behalf, (c) when used with respect to the Trustee, any authorized signatory of the Trustee, or any Person who is authorized in writing to take the action in question on behalf of the Trustee, (d) when used with respect to the Servicer, any Person or Persons duly designated by the Servicer in writing to act on its behalf, (e) when used with respect to the Remarketing Agent, any Person or Persons, if any, duly designated by the Remarketing Agent in writing to act on its behalf, (f) when used with respect to the Trustee, any authorized signatory of the Trustee and such additional Person or Persons, if any, duly designated by the Trustee in writing to act on its behalf, and (g) when used with respect to the Credit Facility Provider, any Person who is authorized in writing to take the action in question on behalf of the Credit Facility Provider. “Bankruptcy Code” means Title 11 of the United States Code entitled “Bankruptcy,” as now and hereafter in effect, or any successor federal statute.

“Bond Counsel” means (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. The Bond Fee Component shall not include any Remarketing Agent's Fee due to the Remarketing Agent in connection with a Reset Adjustment Date or a Substitution Date.

"Bond Financing Documents" means, collectively, the Indenture, the Bonds, the Financing Agreement, the Tax Certificate, the Continuing Disclosure Agreement and any Bond Mortgage Loan Documents not otherwise included in the foregoing list of documents.

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

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

"Bond Mortgage" means the Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of December 1, 2009, together with all riders and addenda thereto, granting a first priority mortgage and security interest in the Project to the Issuer to secure the repayment of the Bond Mortgage Loan which Bond Mortgage has been assigned by the Issuer to the Trustee as the same may be amended, supplemented or restated.

"Bond Mortgage Loan" means the loan made by the Issuer to the Borrower in the original principal amount of \$15,520,000 pursuant to the Financing Agreement.

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

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

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

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

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

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

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

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

“Bonds” means the \$15,520,000 ABAG Finance Authority for Nonprofit Corporations Multifamily Housing Revenue Bonds (Vintage Oaks Senior Apartments) 2009 Series A issued pursuant to the provisions of the Indenture.

“Borrower” means Vintage Oaks Senior Apartments, L.P., a California limited partnership.

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

“Borrower Equity Deposit” means the amount set forth in the Indenture, which shall be comprised of sources other than the proceeds of the Bonds.

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

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

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

“Commitment” means the commitment from Freddie Mac to the Servicer pursuant to which Freddie Mac has agreed to provide credit enhancement for the Bond Mortgage Loan and liquidity support for the Bonds on a Settlement Date following a failed remarketing, as the same may be amended, modified or supplemented from time to time.

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

“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) the Borrower’s special advisor and counsel to the Borrower’s special advisor, (c) Bond Counsel, (d) the Trustee and the Trustee’s counsel, (e) the Servicer and the Servicer’s counsel, if any, (f) the Credit Facility Provider and the Credit Facility Provider’s counsel, (g) the Borrower’s counsel attributable to the issuance of the Bonds and the Borrower’s special advisor, if any, and (h) the Rating Agency, (ii) costs of printing the offering

documents relating to the sale of the Bonds and (iii) all other fees, costs and expenses directly associated with the authorization, issuance, sale and delivery of the Bonds, including, without limitation, printing costs, costs of reproducing documents, filing and recording fees.

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

“Credit Enhancement Agreement” means the Credit Enhancement Agreement dated as of December 1, 2009 between Freddie Mac and the Trustee, as such Credit Enhancement Agreement may from time to time be amended or supplemented.

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

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

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

“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 U.S. 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 December 21, 2009, the date of initial delivery of the Bonds to the initial purchasers thereof against payment therefor.

“Dissemination Agent” means initially U.S. 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) \$500.00 and shall be payable annually in advance on the Delivery Date and each December 1 commencing December 1, 2010.

“DTC” means The Depository Trust Company, New York, New York, as securities depository for the Bonds pursuant to the Indenture.

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

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

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

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

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

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

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

“Financing Agreement” means the Financing Agreement dated as of December 1, 2009 among the Borrower, the Issuer and the Trustee, as such Financing Agreement may from time to time be amended or supplemented.

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

“Freddie Mac Credit Enhancement Payment” shall 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.

“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” shall have the meaning given to that term in the Credit Enhancement Agreement.

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

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

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

“Initial Reset Adjustment Date” means January 1, 2028.

“Initial Reset Period” means the Reset Period from the Delivery Date to the Initial Reset Adjustment Date.

“Initial Reset Rate” means the Reset Rate for the Bonds of 3.83% per annum which shall be in effect on the Delivery Date and throughout the Initial Reset Period.

“Intercreditor Agreement” means the Intercreditor Agreement dated as of December 1, 2009 among the Issuer, the Trustee and Freddie Mac, as the same may be amended or supplemented.

“Interest Payment Date” means (i) for interest accrued during the Initial Reset Period, January 1 and July 1 of each year, commencing July 1, 2010, (ii) for interest accrued during any Subsequent Reset Period, January 1 and July 1 of each year, commencing on the January 1 or July 1 next following the applicable Reset Adjustment Date, (iii) each Reset Adjustment Date and the maturity date of the Bonds, and (iv) for Bonds subject to redemption but only with respect to such 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 Indenture.

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

“Issuer Fee” means \$10,000.

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

“Maturity Date” means the maturity date of the Bonds set forth in the Indenture.

“Maximum Reset Rate” means, with respect to any Subsequent Reset Period, 12% per annum (or such higher rate as may be consented to in writing by the Credit Facility Provider in its sole discretion).

“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 (other than rental interruption insurance proceeds), 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 or as used to repair or restore the Project in accordance with the terms of the Financing Agreement, including reasonable attorney fees.

“Official Statement” means this Official Statement dated December 21, 2009 relating to the sale and issuance of the 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 Indenture as Trustee during each twelve month period, which fee is equal to (and shall not exceed) \$2,500.00 and shall be payable annually in advance on the Delivery Date and each December 1 thereafter commencing December 1, 2010.

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

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

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

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

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

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

“Pledge Agreement” means that certain Pledge, Security and Custody Agreement, dated as of December 1, 2009, by and among the Custodian, the Borrower, and Freddie Mac, as originally executed or as modified or amended from time to time, together with any similar agreement executed in connection with an Alternate Credit Facility, as originally executed or as amended or modified from time to time.

“Principal Component” shall have the meaning set forth in the Credit Enhancement Agreement.

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

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

“Principal Reserve Fund” means the Principal Reserve Fund established and maintained by the Servicer pursuant to the Reimbursement Agreement for the sole and exclusive benefit of Freddie Mac.

“Project” means, collectively, the land and residential rental apartment units, and related fixtures, equipment, furnishings and site improvements known as Vintage Oaks Senior Apartments located at 7340 Stock Ranch Road in the City of Citrus Heights, California, including the real estate described in the Bond Mortgage.

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

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

“Purchased Bond” means any Bond purchased during the period from and including the date of its purchase by the Trustee on behalf of the Borrower with amounts provided by the Credit Facility Provider under the Credit Facility, to, but excluding, the date on which such Bond is (a) transferred pursuant to and in accordance with the Indenture or (b) redeemed or otherwise cancelled.

“Qualified Investments” means any of the following if and to the extent permitted by law: (a) direct and general obligations of the United States of America; (b) obligations of any agency or instrumentality of the United States the payment of the principal of and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America; (c) senior debt obligations of Freddie Mac; (d) senior debt obligations of Fannie Mae; (e) demand deposits, deposit accounts 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 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; (g) shares or units in any money market mutual fund (including mutual funds of the Trustee or its affiliates or for which the Trustee or an affiliate thereof serves as investment advisor or provides other services to such mutual fund receives reasonable compensation therefor) registered under the Investment Company Act of 1940, as amended, whose investment portfolio consists solely of (A) direct obligations of the United States government, or (B) tax exempt obligations and which fund has been rated "Aaa"/"AAA" by Moody's/S&P; or (h)(i) tax exempt obligations rated in the highest short term rating category by Moody's or S&P, or (ii) shares of a tax exempt municipal money market mutual fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the federal Securities Act of 1933, having assets of at least \$100,000,000, and having a rating of "Aaa"/"AAA" by the Rating Agency, for which at least 95% of the income paid to the holders on interest in such money market fund will be excludable from gross income under Section 103 of the Code, including money market funds for which the Trustee or its affiliates receive a fee for investment advisory or other services to the fund ; or (i) any other investments approved in writing by the Credit Facility Provider. For purposes of this definition, the "highest rating" shall mean a rating of at least "VMIG 1"/"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.

"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 1986 Code, selected and retained by the Borrower at the expense of the Borrower, with the prior written consent of the Issuer, to make the computations required under the Indenture and the Financing Agreement.

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

"Record Date" means the 15th day of the month preceding the month in which any Interest Payment Date falls.

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

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

"Reimbursement Agreement" means the Reimbursement and Security Agreement dated as of December 1, 2009 between the Borrower and Freddie Mac, as the same may be amended, supplemented or restated from time to time, and upon the effectiveness of any Alternate Credit Facility, any similar agreement between the Borrower and the Alternate Credit Facility Provider pursuant to which the Borrower agrees to reimburse the Alternate Credit Facility Provider for payments made under the

Alternate Credit Facility, as such agreement may be amended, supplemented or restated from time to time.

“Reimbursement Mortgage” means the Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of December 1, 2009 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 the Freddie Mac to secure the obligations of the Borrower under the Reimbursement Agreement and all documents related thereto, and upon the effectiveness of any Alternate Credit Facility, any similar mortgage, deed of trust, deed to secure debt, security interest or other lien or encumbrance granting a mortgage and security interest in the Project to the Alternate Credit Facility Provider to secure similar obligations of the Borrower to the Alternate Credit Facility Provider, as the same may be amended, supplemented or restated from time to time.

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

“Remarketing Agent” means the remarketing agent appointed pursuant to the Indenture or any successors or assigns thereof permitted under the Indenture.

“Remarketing Agent Fee” means the fee payable to the Remarketing Agent as compensation for the Remarketing Agent’s services in remarketing the Bonds then Outstanding in connection with a Reset Adjustment Date or a Substitution Date. Such fee, which shall be acceptable to the Borrower, the Remarketing Agent and the Credit Facility Provider, shall be due and payable on the Remarketing Date.

“Remarketing Agreement” means the Remarketing Agreement dated as of December 1, 2009 between the Remarketing Agent and the Borrower, or any similar agreement between the Remarketing Agent and the Borrower, in each case as originally executed or as it may be amended or supplemented from time to time in accordance with its terms.

“Remarketing Date” means each date on which the Remarketing Agent is required to notify the Trustee, the Borrower and the Credit Facility Provider whether it has found purchasers for all of the Bonds to be tendered on the Settlement Date, as set forth in the Indenture.

“Requisition” means, with respect to the Bond Mortgage Loan Fund, the requisition in the form attached as an exhibit to the Indenture required to be submitted in connection with certain disbursements from the Bond Mortgage Loan Fund.

“Reset Adjustment Date” means any date (including the Initial Reset Adjustment Date) on which the interest rate on the Bonds is adjusted to a Reset Rate or to a different Reset Rate.

“Reset Period” means the Initial Reset Period and each additional period during which the Bonds bear interest at a Reset Rate.

“Reset Rate” means the rate of interest borne by the Bonds as determined in accordance with the Indenture, including the Initial Reset Rate.

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

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

“Revenues” means (a) all payments made with respect to the Bond Mortgage Loan pursuant to the Financing Agreement, the Bond Mortgage Note or the Bond Mortgage, including all casualty or other insurance benefits and condemnation awards paid in connection therewith (subject in all events to the interests of the Credit Facility Provider therein under the terms of the Credit Facility and the Reimbursement Security Documents), (b) payments made by the Credit Facility Provider pursuant to the Credit Facility and (c) all money and securities held by the Trustee in the funds and accounts established pursuant to the Indenture (excluding money or securities in the Cost of Issuance Fund, the Bond Purchase Fund, the Administration Fund, the Borrower Equity Account and the Rebate Fund), together with all investment earnings thereon.

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

“Security” means the Trust Estate and the Credit Facility.

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

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

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

“State” means the State of California.

“Subsequent Reset Period” has the meaning given to that term in the Indenture.

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

“Tax Certificate” means the Tax Certificate and Agreement executed by the Issuer and the Borrower on the Delivery Date.

“Tax Regulatory Agreement” means the Regulatory Agreement and Declaration of Restrictive Covenants dated December 1, 2009 among the Issuer, the Trustee and the Borrower.

“Trustee” means U.S. Bank National Association and its successors in trust under the Indenture.

“Trust Estate” shall have the meaning given to that term in the Granting Clauses of the Indenture.

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

## APPENDIX B

### FORM OF BOND COUNSEL OPINION

December 23, 2009

ABAG Finance Authority for  
Nonprofit Corporations  
Oakland, California

ABAG Finance Authority for Nonprofit Corporations  
Multifamily Housing Revenue Bonds  
(Vintage Oaks Senior Apartments) 2009 Series A  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the ABAG Finance Authority for Nonprofit Corporations (the “Issuer”) in connection with the issuance of its \$15,520,000 aggregate principal amount of Multifamily Housing Revenue Bonds (Vintage Oaks Senior Apartments) 2009 Series A (the “Bonds”). The Bonds are issued pursuant to Chapter 5 of Division 7 of Title 1 of the California Government Code, together with the provisions of Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code, as amended (collectively, the “Act”), and a Trust Indenture, dated as of December 1, 2009 (the “Indenture”), between the Issuer and U.S. Bank National Association, as trustee (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 the Official Statement or 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 Revenues.

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 Revenues, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

4. The Bonds do not constitute a debt or liability of the Issuer, the State or any political subdivision thereof, or a pledge of the faith and credit of the State or any such political subdivision, other than the Issuer to the extent provided in the Indenture.

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

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

**APPENDIX C**

**FORM OF CREDIT ENHANCEMENT AGREEMENT**

**Freddie Mac Loan No.: 504128728**

**CREDIT ENHANCEMENT AGREEMENT**

**Between**

**FEDERAL HOME LOAN MORTGAGE CORPORATION**

**And**

**U.S. BANK NATIONAL ASSOCIATION  
as Trustee**

**Relating to a  
Bond Mortgage Loan  
Securing**

**\$15,520,000**

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS  
MULTIFAMILY HOUSING REVENUE BONDS  
(VINTAGE OAKS SENIOR APARTMENTS)  
2009 Series A**

**Dated as of December 1, 2009**

## **CREDIT ENHANCEMENT AGREEMENT**

**THIS CREDIT ENHANCEMENT AGREEMENT** (this “Agreement”) made and entered into as of December 1, 2009, by and between the **FEDERAL HOME LOAN MORTGAGE CORPORATION** (“Freddie Mac”), a shareholder owned government sponsored enterprise organized and existing under the laws of the United States, and **U.S. BANK NATIONAL ASSOCIATION** (the “Trustee”), a national banking association, duly organized and existing under the laws of the United States, in its capacity as Trustee under a Trust Indenture dated as of December 1, 2009 (the “Indenture”), between the **ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS** (the “Issuer”) and the Trustee,

### **W I T N E S S E T H:**

**WHEREAS**, pursuant to the Indenture, the Issuer has issued its Multifamily Housing Revenue Bonds (Vintage Oaks Senior Apartments) 2009 Series A (the “Bonds”) in the original principal amount of \$15,520,000; and

**WHEREAS**, pursuant to a Financing Agreement dated as of December 1, 2009 (the “Financing Agreement”) among the Issuer, the Trustee and Vintage Oaks Senior Apartments, L.P., a California limited partnership (the “Borrower”), the Issuer used the proceeds of the sale of Bonds to make a mortgage loan (the “Bond Mortgage Loan”) to the Borrower to finance the Project described therein; and

**WHEREAS**, the Borrower has used the proceeds of the Bond Mortgage Loan to provide for the acquisition, rehabilitation and equipping of the Project; and

**WHEREAS**, the Borrower’s repayment obligations in respect of the Bond Mortgage Loan are evidenced by a promissory note dated December 23, 2009 (together with all riders and addenda thereto, the “Bond Mortgage Note”) from the Borrower to the Issuer, as such has been assigned by the Issuer to the Trustee; and

**WHEREAS**, to secure the Borrower’s obligations under the Bond Mortgage Note, the Borrower has executed and delivered for the benefit of the Issuer a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of December 1, 2009 (the “Bond Mortgage”) with respect to the Project, which Bond Mortgage has been assigned by the Issuer to the Trustee pursuant to the Indenture; and

**WHEREAS**, in order to provide credit enhancement for the payment by the Borrower of amounts due under the Bond Mortgage Loan and provide liquidity support for the Bonds, the Borrower has requested that Freddie Mac enter into this Agreement with the Trustee, which permits the Trustee to make (i) draws in an amount equal to Guaranteed Payments with respect to the Bond Mortgage Loan and (ii) a liquidity draw to pay the Purchase Price of the Bonds under the circumstances herein described; 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**, the rights of the Issuer, the Trustee, and Freddie Mac to enforce remedies under the Bond Mortgage, the Reimbursement Mortgage, respectively, are governed by an Intercreditor Agreement dated as of the date hereof among the Issuer, the Trustee, and Freddie Mac; and

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

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

## ARTICLE I

### DEFINITIONS AND INTERPRETATION

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

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

“*Available Amount*” means, at any time, an amount equal to the aggregate principal amount of Bonds Outstanding (initially, \$15,520,000) plus an amount equal to the accrued interest on the Bonds Outstanding for up to 189 days at the Reset Rate during any Reset Period, computed on the basis of a 360-day year of twelve (12) thirty (30) day months, in each instance as reduced by that amount, if any, previously provided by Freddie Mac to the Trustee for payment of the Guaranteed Payment or to enable the Trustee to purchase Purchased Bonds, such reduction to be in an amount equal to (i) in the case of payment of a Guaranteed Payment, 100% of the amount of such payment and (ii) in the case of the purchase of Purchased Bonds, 100% of the principal amount of such Purchased Bonds plus the accrued interest, if any, paid with respect to such Purchased Bonds. Following any provision of funds under this Agreement, the amount provided (and the amount by which the Available Amount is reduced) shall be reinstated only as provided in Section 3.1(a)(iv).

“*Bonds*” means the Issuer’s Multifamily Housing Revenue Bonds (Vintage Oaks Senior Apartments) 2009 Series A issued in the original principal amount of \$15,520,000.

“*Bond Mortgage*” means the Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of December 1, 2009, together with all riders and addenda thereto, from the Borrower granting a first priority mortgage and security interest in the Project to the Issuer to secure the repayment of the Bond Mortgage Loan, which Bond Mortgage has been assigned by the Issuer to the Trustee pursuant to the Indenture.

“*Bond Mortgage Loan*” means the loan in the original amount of \$15,520,000 by the Issuer to the Borrower pursuant to the Financing Agreement, as evidenced by the Bond Mortgage Note and secured by the Bond Mortgage.

“*Bond Mortgage Note*” means the promissory note from the Borrower to the Issuer in the original principal amount of \$15,520,000, including 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, which promissory note has been assigned by the Issuer to the Trustee pursuant to the Indenture.

“*Bond Mortgage Payment Date*” means (i) each Interest Payment Date (as defined in the Indenture) while the Bond Mortgage Loan is outstanding, commencing January 4, 2010 and (ii) any other date on which principal of the Bond Mortgage Note is paid.

“*Borrower*” means Vintage Oaks Senior Apartments, 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 Remarketing Agent or the permanent home office of Freddie Mac is located are authorized or obligated by law or executive order to be closed or (b) the New York Stock Exchange is closed.

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

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

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

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

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

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

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

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

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

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

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

“*Indenture*” means that certain Trust Indenture dated as of December 1, 2009 between the Issuer and the Trustee pursuant to which the Bonds are issued and secured, as the same may be amended, supplemented or restated from time to time.

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

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

“*Liquidity Commitment*” means the obligation of Freddie Mac to provide funds to the Trustee, as provided in Section 3.1(b) of this Agreement, to enable the Trustee to purchase, on behalf of the Borrower, all of the Bonds required to be tendered on a Settlement Date in the event the Remarketing Agent is unable to successfully remarket all of such Bonds on such Settlement Date pursuant to the Remarketing Agreement and the Indenture and, therefore, with respect to which the Trustee has not received sufficient proceeds of remarketing to purchase all of such Bonds on the Settlement Date.

“*Liquidity Commitment Termination Date*” means the Business Day immediately following the earliest of (a) the maturity date of the Bonds, (b) the effective date of an Alternate Credit Facility which replaces this Agreement or (c) the Termination Date.

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

“*Pledge Agreement*” means the Pledge, Security and Custody Agreement dated as of the date hereof between the Borrower 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, to, but excluding, the date on which such Bond is (a) transferred pursuant to and in accordance with Section 3.06 of the Indenture or (b) redeemed or otherwise cancelled.

“*Purchase Price*” means, with respect to any Bond required to be purchased pursuant to Sections 2.02, 2.13 or 10.02 of the Indenture, the principal amount of such Bond plus interest accrued thereon to the Settlement Date and, with respect to any Bond to be purchased pursuant to Section 3.06 of the Indenture, the principal amount of such Bond plus any redemption premium due thereon plus interest

accrued to the Settlement Date. No portion of the Purchase Price consisting of any redemption premium shall be payable from funds drawn under this Agreement.

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

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

	<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 (a) on any Reset Adjustment Date, and (b) otherwise 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>less</i> interest accrued on Purchased Bonds.	(i) The regularly scheduled payment of principal, on the Bond Mortgage Note, if any (ii) upon optional or mandatory prepayment of the Bond Mortgage Loan, the principal amount of the Bond Mortgage Note being prepaid and (iii) on the maturity date or upon acceleration of the Bond Mortgage Note, the unpaid principal balance of the Bond Mortgage Note.

For the purpose of this Agreement only, regularly scheduled monthly deposits to the Principal Reserve Fund, as 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, 2040**, (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 U.S. 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, has the power (including trust powers) and authority to accept and execute trusts, has duly accepted its appointment as Trustee under the Indenture, and all corporate action required to authorize acceptance of such appointment as Trustee under the Indenture, the execution, delivery and performance of the Indenture and this Agreement, and consummation of the transactions contemplated thereby and hereby, have been duly taken.

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

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

### ARTICLE III

#### CREDIT ENHANCEMENT AND LIQUIDITY

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

(a)(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, \$15,520,000) 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 at the Reset Rate during any Reset Period (calculated as provided in the definition of Available Amount), is available for the payment of the Interest Component of the Guaranteed Payment, subject to reduction and reinstatement as provided in Section 3.1(a)(iv). Funds shall be made available to the Trustee for such payment against delivery by the Trustee of a demand for payment (each a “Draw Request”). Until Freddie Mac provides the Trustee with written or electronic notice to the contrary, the Trustee shall deliver Draw Requests to Freddie Mac using the Wire Request System. If, for any reason, the Trustee is unable to deliver a Draw Request electronically for processing a payment using the Wire Request System, the Trustee shall notify Freddie Mac immediately via the Freddie Mac Trustee Hotline and Freddie Mac Trustee E-mail Account and deliver that Draw Request by facsimile or electronic transmission, immediately confirmed by overnight delivery service, of a Notice, in the form set forth in Exhibit A-1 hereto, to Freddie Mac at (571) 382-4798, if by facsimile transmission, or the Freddie Mac Trustee E-mail Account, if by electronic transmission (or to such other facsimile number or e-mail address or using such other means of electronic or telephonic communication as Freddie Mac shall designate in writing); provided that Freddie Mac may waive in writing the requirement of confirmation by overnight delivery service. If a Draw Request is made in strict conformity with the terms and conditions hereof, payment shall be made to the Trustee in immediately available funds (A) if such Draw Request is received by Freddie Mac by 12:00 Noon (Washington, D.C. time) on any Business Day, not later than 2:00 p.m. (Washington, D.C. time) on the next Business Day, and (B) if such Draw Request is so received after 12:00 Noon (Washington, D.C. time) on any Business Day, not later than 2:00 p.m. (Washington, D.C. time) on the second succeeding Business Day.

(ii) Notwithstanding any other provision of this Agreement, Freddie Mac shall have no obligation under any circumstance to make a Freddie Mac Credit Enhancement Payment or any other payment under this Agreement with respect to any prepayment premium or other prepayment charge payable on the Bond Mortgage Loan or due under the Bond Mortgage Note (or which may in any way relate to the Bonds, including any redemption premium on the Bonds), any reserve funds that are funded from Bond proceeds, any negative arbitrage or investment losses with respect to reserve amounts held by the Trustee under the Indenture, 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)(i) If on any Settlement Date, the Remarketing Agent is unable to remarket all of the Bonds tendered for purchase on such Settlement Date, Freddie Mac shall be obligated to pay to the Trustee in immediately available funds, not later than 2:00 p.m., Washington, D.C. time, on the Settlement Date, the Purchase Price of all such tendered Bonds on the Settlement Date. The obligation of Freddie Mac to make such payment is subject to the condition precedent that Freddie Mac (A) shall have timely received from the Trustee and the Remarketing Agent, all notices required to be delivered to Freddie Mac pursuant to Section 10.03 of the Indenture, and (B) shall have received not later than 11:00 a.m., Washington D.C. time, on the Settlement Date, (1) a Draw Request, and (2) an e-mail from the Trustee to the Freddie Mac Trustee E-mail Account notifying Freddie Mac that the Draw Request on such date is made pursuant to the Liquidity Commitment. Such Draw Request shall be made using the Wire Request System until Freddie Mac provides the Trustee with written or electronic notice to the contrary. If, for any reason, the Trustee is unable to deliver such Draw Request electronically using the Wire Request System, the Trustee shall immediately notify Freddie Mac via both the Freddie Mac Trustee Hotline and the Freddie Mac Trustee E-mail Account, and shall deliver such Draw Request, instead, in the form of Exhibit A-2 by facsimile or electronic transmission, immediately confirmed by overnight delivery service, to Freddie Mac at (571) 382-4798, if by facsimile transmission, or the Freddie Mac Trustee E-mail Account, if by electronic transmission (or to such other facsimile number or e-mail address or using such other means of electronic or telephonic communication as Freddie Mac shall designate in writing). In no event shall the amount payable pursuant to this Section 3.1(b) exceed the Available Amount.

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

(iii) The Trustee shall receive and hold all funds provided by Freddie Mac under this Agreement on account of the Purchase Price of Bonds in trust for the benefit of Freddie Mac and shall not disburse such funds until the tendered Bonds have been received by the Trustee. The Trustee shall, on the

Settlement Date, on behalf of the Borrower, cause the Purchased Bonds to be registered in the name of the Custodian, until transferred or redeemed, subject to the security interest provided for in Section 3.1(b)(v) of this Agreement and the Pledge Agreement.

(iv) [Intentionally Omitted].

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

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

(e) This Agreement shall become effective upon its execution and delivery by Freddie Mac and the Trustee and shall cease to be in effect on the Termination Date.

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

**Section 3.2. *Right of Freddie Mac to Cause Redemption, Purchase in Lieu or Acceleration of Bonds.***

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

(b) If Freddie Mac pays the Purchase Price of tendered 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 payment 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 amounts held under the Indenture.

**Section 3.4. *Adjustments to Required Bond Mortgage Payments and Guaranteed Payments.*** In connection with any partial principal prepayments of amounts owing under the Bond Mortgage Note, the Interest Component of the Required Bond Mortgage Payment shall be adjusted only upon the redemption of Bonds in the amount of such principal prepayment.

## ARTICLE IV

### FREDDIE MAC REIMBURSEMENTS

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

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

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

## ARTICLE V

### COVENANTS

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

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

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

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

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

BBK:	US Bank
ABA:	091000022
A/C:	180121167365
BEN:	TFM
Reference:	ABAGVintageOak
Attention:	Karin Andreen (651) 495-3786

## 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 Purchase Price in connection with any purchase in lieu of redemption of the Bonds pursuant to Section 3.06 of the Indenture); provided that in no event shall Freddie Mac be obligated to pay the Purchase Price, principal or redemption price of and interest on Purchased Bonds.

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

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

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

To Freddie Mac:           Federal Home Loan Mortgage Corporation  
8100 Jones Branch Drive  
Mail Stop 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  
McLean, Virginia 22102  
Attention: Associate General Counsel – Multifamily  
Legal Department  
Facsimile: (703) 903-2885  
Telephone: (703) 903-2000

with a copy to:

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

To the Trustee: U.S. Bank National Association  
Corporate Trust Services  
1420 5th Avenue, 7th Floor  
Seattle, WA 98101  
Attention: Nancy Stahl (nancy.stahl@usbank.com)  
Facsimile: (206) 344-4630  
Telephone: (206) 344-4682

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

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

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

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

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

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

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

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

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

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

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

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

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

[Signatures follow]

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

**FEDERAL HOME LOAN MORTGAGE CORPORATION**

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

**U.S. BANK NATIONAL ASSOCIATION,**  
as Trustee

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT A-1**

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

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

Project Name: Vintage Oaks Senior Apartments  
Related Bonds: \$15,520,000 ABAG Finance Authority for Nonprofit Corporations  
Multifamily Housing Revenue Bonds (Vintage Oaks Senior Apartments)  
2009 Series A

CUSIP Number: 00037N NM4

Loan No.: \_\_\_\_\_ 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 December 1, 2009, relating to the Bond Mortgage Loan  
securing the Bonds referenced above**

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

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

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

U.S. BANK NATIONAL ASSOCIATION, as Trustee

Authorized Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A-2**

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

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

Project Name: Vintage Oaks Senior Apartments  
Related Bonds: \$15,520,000 ABAG Finance Authority for Nonprofit Corporations  
Multifamily Housing Revenue Bonds (Vintage Oaks Senior Apartments)  
2009 Series A

CUSIP Number: 00037N NM4

Loan No.: \_\_\_\_\_ Date of Notice: \_\_\_\_\_

**DEFICIENCY NOTICE**

**under Section 3.1(b)(i) of Credit Enhancement Agreement  
between Freddie Mac and the undersigned, as trustee, dated  
as of December 1, 2009 relating to the Bond Mortgage Loan  
securing the Bonds referenced above**

Settlement Date: \_\_\_\_\_, \_\_\_\_  
Tendered Bonds for Purchase: \$ \_\_\_\_\_  
Remarketing Proceeds Held by Trustee: N/A

**Amount of "REQUIRED PURCHASE PRICE  
PAYMENT DEFICIENCY":** \$ \_\_\_\_\_

**CREDIT ENHANCEMENT PAYMENT DATE:** \_\_\_\_\_, \_\_\_\_

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

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

U.S. BANK NATIONAL ASSOCIATION, as Trustee

Authorized Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT B**  
**INTENTIONALLY OMITTED**



**\*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) shall be transmitted using the new wire instructions set forth in this notice.

**C. Trustee Authorized Signature(s):**

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 Exhibit "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 1, 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.

[EXHIBIT C CONTINUED ON FOLLOWING PAGE]

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

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

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

**[Insert other Notary panels, as needed.]**

**Exhibit "A"**

to

**Bond Wire Instruction 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 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 [NAME OF TRUSTEE] (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: \_\_\_\_\_

**[Insert other Authorized Persons as needed]**

WITNESS the official seal of the Trustee and the signature of the undersigned this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**[ATTACH THE CORPORATE SEAL]**

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: [Secretary/Assistant Secretary]

[An extra section break has been inserted above this paragraph. Do not delete this section break if you plan to add text after the Table of Contents/Authorities. Deleting this break will cause Table of Contents/Authorities headers and footers to appear on any pages following the Table of Contents/Authorities.]

## APPENDIX D

### FORM OF CONTINUING DISCLOSURE AGREEMENT

#### CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by Vintage Oaks Senior Apartments, L.P., a California limited partnership (the “Borrower”) and U.S. Bank National Association, as Dissemination Agent (the “Dissemination Agent”) in connection with the issuance of \$15,520,000 aggregate principal amount of the Multifamily Housing Revenue Bonds (Vintage Oaks Senior Apartments) 2009 Series A by ABAG Finance Authority for Nonprofit Corporations (the “Issuer”) (the “Bonds”). The Bonds are being issued pursuant to a Trust Indenture, dated as of December 1, 2009, between U.S. Bank National Association, as trustee (the “Trustee”) and the Issuer (the “Indenture”). The proceeds of the Bonds are being loaned by the Issuer to the Borrower pursuant to a Financing Agreement, dated as of December 1, 2009, among the Issuer, the Borrower and the Trustee (the “Financing Agreement”). Pursuant to the Financing Agreement, the Borrower and the Dissemination Agent 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 assist the Participating Underwriter (defined below) in complying with the Rule (defined below). The Borrower and the Dissemination Agent acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this 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.

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

“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).

“Participating Underwriter” shall mean the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“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 2010, 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 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. 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 Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following Listed Events:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
7. Modifications to rights of holders of the Bonds.
8. Bond calls.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds.
11. Rating changes.

(b) Whenever the Borrower obtains knowledge of the occurrence of a Listed Event, the Borrower shall as soon as possible determine if such event would constitute material information for Holders of Bonds, provided, that any event under subsection (a)(11) shall always be deemed to be material.

(c) If the Borrower has determined that knowledge of the occurrence of a Listed Event would be material, the Borrower shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (e) and shall include sufficient information concerning the Listed Event to enable the Dissemination Agent to report the occurrence.

(d) If the Borrower determines that the Listed Event would not be material, the Borrower shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (e).

(e) 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 reporting the information provided by the Borrower with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) 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 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 any Participating Underwriter 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, the Participating Underwriter, and holders from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the parties hereto have caused this Continuing Disclosure Agreement to be executed by their duly authorized representatives as of the date set forth above.

**VINTAGE OAKS SENIOR APARTMENTS, L.P.**, a  
California limited partnership

By: USA Vintage Oaks, Inc., a California  
corporation  
Its: Administrative General Partner

By: \_\_\_\_\_  
Name: Edward R. Herzog  
Title: Chief Financial Officer

By: RCC Vintage Oaks, LLC, a limited liability  
company  
Its: Managing General Partner

By: Riverside Charitable Corporation  
Its: Manager

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

[Signatures to the Continuing Disclosure Agreement continued on following page]

[Counterpart signature page to the Continuing Disclosure Agreement]

**U.S. BANK NATIONAL ASSOCIATION,**  
as Dissemination Agent

By: \_\_\_\_\_  
Authorized Signatory

**EXHIBIT A**

**NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: ABAG Finance Authority for Nonprofit Corporations

Name of Bond Issue: \$15,520,000  
ABAG Finance Authority for Nonprofit Corporations  
Multifamily Housing Revenue Bonds  
(Vintage Oaks Senior Apartments)  
2009 Series A

CUSIP: 00037N NM4

Name of Obligated Person: Vintage Oaks Senior Apartments, L.P.

Date of Issuance: December 23, 2009

NOTICE IS HEREBY GIVEN that Vintage Oaks Senior Apartments, L.P. has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of December 1, 2009, between Vintage Oaks Senior Apartments, L.P. and U.S. Bank National Association. [The Borrower has notified the Dissemination Agent that the Borrower anticipates that the Annual Report will be filed by \_\_\_\_\_.]

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

---

U.S. Bank National Association, as Dissemination Agent, on behalf of Vintage Oaks Senior Apartments, L.P.

cc: Vintage Oaks Senior Apartments, L.P.

**EXHIBIT B**

**ANNUAL FINANCIAL INFORMATION**

\$15,520,000

ABAG Finance Authority for Nonprofit Corporations  
Multifamily Housing Revenue Bonds  
(Vintage Oaks Senior Apartments)  
2009 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.

**CERTIFICATE OF BORROWER REGARDING FINALITY  
OF OFFICIAL STATEMENT**

I hereby certify to Citigroup Global Markets Inc., as the Placement Agent with respect to the Bonds hereinafter described (the "Placement Agent"), that I am authorized to execute this Certificate on behalf of Vintage Oaks Senior Apartments, L.P., a California limited partnership (the "Borrower").

The Borrower hereby certifies that the Official Statement with respect to the proposed issue of \$15,520,000 ABAG Finance Authority for Nonprofit Corporations Multifamily Housing Revenue Bonds (Vintage Oaks Senior Apartments) 2009 Series A, is an official statement which the Borrower deems final as of its date, except for information under the captions "THE ISSUER" and "ABSENCE OF LITIGATION – The Issuer" (but only as such information relates to the Issuer) except for information of the type referred to in paragraph (b)(1) of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

Accepted on December 23, 2009

**VINTAGE OAKS SENIOR APARTMENTS, L.P.**, a  
California limited partnership

By: USA Vintage Oaks, Inc., a California  
corporation

Its: Administrative General Partner

By: 

Name: Edward R. Herzog

Title: Chief Financial Officer

By: RCC Vintage Oaks, LLC, a limited liability  
company

Its: Managing General Partner

By: Riverside Charitable Corporation

Its: Manager

By: 

Name: Kenneth S. Robertson

Title: President

**CERTIFICATE OF ISSUER REGARDING FINALITY  
OF OFFICIAL STATEMENT**

I hereby certify to Citigroup Global Markets Inc., as the Placement Agent with respect to the Bonds hereinafter described (the "Placement Agent"), that I am authorized to execute this Certificate on behalf of the ABAG Finance Authority for Nonprofit Corporations (the "Issuer").

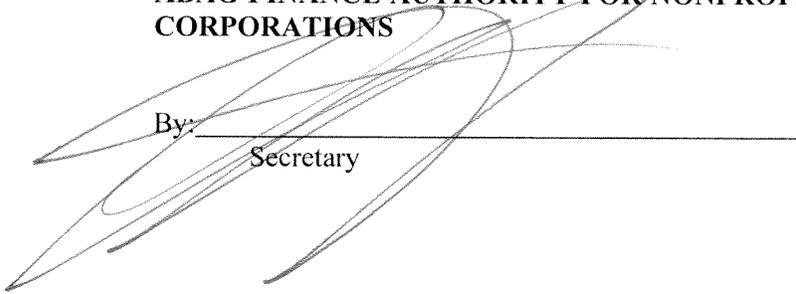
The Issuer hereby certifies that the Official Statement with respect to the proposed issue of \$15,520,000 ABAG Finance Authority for Nonprofit Corporations Multifamily Housing Revenue Bonds (Vintage Oaks Senior Apartments) 2009 Series A, is an official statement and the Issuer deems the information in the Official Statement under the captions "THE ISSUER" and "ABSENCE OF LITIGATION – The Issuer" (but only as such information relates to the Issuer) final as of its date, except for information of the type referred to in paragraph (b)(1) of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

Accepted on December 23, 2009

**ABAG FINANCE AUTHORITY FOR NONPROFIT  
CORPORATIONS**

By: \_\_\_\_\_

Secretary

A large, stylized handwritten signature in black ink is written over the signature line and extends upwards and to the right, partially overlapping the text "ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS".