

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

\$32,462,900

**ABAG Finance Authority for Nonprofit Corporations
Multifamily Housing Revenue Bonds
(Ginnie Mae Collateralized Mortgage Loan – Arc Light Co)
2010 Series A**

Dated: August 17, 2010

Due: As shown on inside cover

The above-captioned Bonds (the "Bonds") are issuable on a draw down basis as fully registered bonds in the denomination of \$5,000 principal amount or any multiple of \$100 in excess thereof. Interest on the Bonds is payable on the 20th day of each calendar month, commencing September 20, 2010 (each a "Payment Date"). The Bonds will be issued in book-entry form only under a global book-entry system operated by the Depository Trust Company, New York, New York ("DTC"), and purchasers will not be entitled to receive certificates representing their Bonds for so long as the global book-entry system is in effect. See "THE BONDS - Book-Entry-Only System." Principal of and interest on the Bonds will be paid by Wells Fargo Bank, National Association, as Trustee (the "Trustee") directly to DTC, as the registered owner thereof. Any purchaser as a beneficial owner of a Bond must maintain an account with a broker or dealer who is, or acts through, a DTC Participant to receive payment of the principal of and interest on such Bond.

The Bonds are being issued by ABAG Finance Authority for Nonprofit Corporations (the "Issuer") pursuant to a Trust Indenture, dated as of August 1, 2010, between the Issuer and the Trustee (the "Indenture") for the purpose of providing funds to finance the costs of acquiring, constructing and equipping an approximately 94-unit qualified residential rental project intended to be operated as a residential rental housing facility (the "Project") in the City of San Francisco, California, to be owned by Arc Light Co Affordable, LP, a California limited partnership (the "Borrower"). Upon the satisfaction of certain conditions set forth in the Indenture, the proceeds of the Bonds will be used to acquire fully modified mortgage-backed securities (the "Ginnie Mae Certificates"). The proceeds received from the sale of the Ginnie Mae Certificates will be used by CBRE HMF, Inc. (the "Lender") to make a mortgage loan (the "Mortgage Loan") to the Borrower, which Mortgage Loan will be insured by the Secretary of Housing and Urban Development, acting by and through the Federal Housing Administration ("FHA") under Section 221(d)(4) of the National Housing Act of 1934, as amended (the "National Housing Act"), and the regulations promulgated thereunder. The Ginnie Mae Certificates will be guaranteed as to timely payment by the Government National Mortgage Association ("Ginnie Mae") pursuant to Section 306(g) of the National Housing Act.

The Bonds are subject to redemption prior to maturity as more fully described herein. Persons who purchase Bonds at a price in excess of their principal amount bear the risk that they might lose any such premium paid in the event their Bonds are redeemed prior to maturity.

There is no provision in the Bonds or the Indenture for acceleration of the Bonds or payment of additional interest or penalties in the event interest on the Bonds is declared or becomes taxable.

Purchase of the Bonds involves a degree of risk. Perspective purchasers should consider the material under the caption "RISK FACTORS" herein.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF THE TRUST ESTATE, AS DEFINED IN THE INDENTURE, AND FUNDS PROVIDED THEREFOR UNDER THE INDENTURE AND DO NOT CONSTITUTE AN INDEBTEDNESS OF THE ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS, ANY OF THEIR MEMBERS, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION AND LAWS OF THE STATE. NEITHER THE FAITH AND CREDIT OF THE ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS OR ANY OF THEIR MEMBERS NOR THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR PREMIUM (IF ANY) OR INTEREST ON THE BONDS. NONE OF THE UNITED STATES OF AMERICA, THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT, THE FEDERAL HOUSING COMMISSIONER, THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION, NOR ANY OTHER AGENCY OF THE UNITED STATES OF AMERICA, SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, OR PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER OF THE ISSUER, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. NEITHER THE ISSUER NOR THE ASSOCIATION OF BAY AREA GOVERNMENTS HAS ANY TAXING POWER.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential in the making of an informed investment decision.

The Bonds are offered when, as and if issued, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Orrick, Herrington & Sutcliffe, LLP, San Francisco, California, as Bond Counsel. Certain legal matters will be passed upon for the Issuer by Chapman and Cutler LLP, San Francisco, California; for the Lender by Levy, Levy & Levy; for the Borrower by Pillsbury Winthrop Shaw Pittman LLP, San Francisco, California; and for the Underwriter by Eichner & Norris PLLC, Washington, D.C. It is expected that the Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York, on or about August 17, 2010.

MERCHANT CAPITAL
L.L.C.

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

Term Bonds

Maturity Date	Principal Amount	Interest Rate	Price	CUSIP
March 20, 2052	\$32,462,900	4.75%	100%	00037N NT9

This Official Statement, including the cover page hereof, is provided for the purpose of setting forth information in connection with the issuance and sale of the Bonds. No dealer, broker, salesman or other person has been authorized by the Issuer, the Borrower or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell nor the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which such offer, solicitation or sale is not authorized or in which the person making such offer, solicitation or sale is not qualified to do so or to any person to whom it is unlawful to make such offer, solicitation or sale.

The information set forth herein has been obtained from the Issuer (but only with respect to the Issuer), the Borrower and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the Issuer, the Borrower or any other parties described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

The Issuer has not approved any information in this Official Statement except information relating to the Issuer under the captions "THE ISSUER" and "LITIGATION – Issuer" (as such information pertains to the Issuer).

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.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

relating to the original issuance of

\$32,462,900

**ABAG Finance Authority for Nonprofit Corporations
Multifamily Housing Revenue Bonds
(Ginnie Mae Collateralized Mortgage Loan – Arc Light Co)
2010 Series A**

INTRODUCTORY STATEMENT

This Introduction is subject in all respects to the more complete information appearing elsewhere in this Official Statement. This Introduction is not to be read or used without reference to the entire Official Statement. For the definitions of certain capitalized terms used in this Official Statement which are not otherwise defined, reference should be made to the definitions appearing in Appendix A hereto.

The purpose of this Official Statement, which includes the cover page and appendices, is to set forth certain information in connection with ABAG Finance Authority for Nonprofit Corporations (the “Issuer”), and the issuance and sale of \$32,462,900 principal amount of the Issuer’s Multifamily Housing Revenue Bonds (Ginnie Mae Collateralized Mortgage Loan - Arc Light Co) 2010 Series A (the “Bonds”) on a draw down basis. The Bonds are authorized by and are being issued pursuant to the provisions of Chapter 5 of Division 7 of Title 1 of the Government Code and in compliance with Chapter 7 of Part 5 of Division 31 of the Health and Safety Code, as amended (the “Act”). The Bonds will be equally and ratably secured by, and issued pursuant to, a Trust Indenture dated as of August 1, 2010 (the “Indenture”) between the Issuer and Wells Fargo Bank, National Association, as trustee (the “Trustee”).

The Bonds are being issued by the Issuer to provide financing to Arc Light Co Affordable, LP, a California limited partnership (the “Borrower”) for the acquisition, construction and equipping of an approximately 94-unit qualified residential rental project intended to be operated as a residential rental housing facility known as Arc Light Co Residences (the “Project”), located in the City of San Francisco, California. The Project will be financed pursuant to the Indenture and a Loan Agreement dated as of August 1, 2010 (the “Loan Agreement”) among the Issuer, the Trustee, CBRE HMF, Inc. (the “Lender”) and the Borrower. The Loan Agreement provides that the financing will be accomplished through the Trustee’s acquisition of fully modified mortgage-backed securities (the “Ginnie Mae Certificates”), to be issued by the Lender, which will be guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (“Ginnie Mae”). The proceeds of the Bonds used to acquire the Ginnie Mae Certificates are to be used by the Lender to make a mortgage loan (the “Mortgage Loan”) to the Borrower in an anticipated maximum principal amount of \$32,462,900 to finance the Project, which Mortgage Loan will be evidenced by a nonrecourse mortgage note (the “Note”) secured by a mortgage (the “Mortgage”). The Ginnie Mae Certificates consist of (i) construction loan certificates issued for each construction advance on the Mortgage Loan (the “Construction Loan Certificates”) and (ii) a permanent loan certificate issued after completion of construction of the Project in exchange for the Construction Loan Certificates previously delivered to the Trustee (the “Project Loan Certificate”). The Federal Housing Administration of the United States Department of Housing and Urban Development (“FHA”) has issued its firm commitment (the “Commitment”) to the Lender to insure (the “Mortgage Insurance”), upon compliance with the terms and conditions thereof, construction advances on the Mortgage Loan to the Borrower under Section 221(d)(4) of the National Housing Act of 1934, as amended (the “National Housing Act”). The Trustee will not have any interest in the Mortgage or the Note and will not have a claim against any Mortgage Insurance benefits.

In the event the amount of the Project Loan Certificate is less than the anticipated amount of the Mortgage Loan as further provided herein, an amount of Bonds representing any difference may be redeemed (see “THE BONDS – Redemption of the Bonds – Extraordinary Mandatory Redemption” herein).

While the Project is under construction, the Borrower is to make monthly payments, pursuant to the Note, to the Lender representing interest only on the aggregate amounts disbursed to the Borrower under a building loan agreement. Payments of interest on the Note (less the Ginnie Mae guaranty fee, the servicing fee and any late charges on the Mortgage Loan) are to be passed through to the Trustee by the Lender as monthly installments of interest on the Construction Loan Certificates and applied, together with investment earnings, if any, on the undisbursed Bond Proceeds and certain other moneys held by the Trustee, to pay debt service on the Bonds. Funds held in the Construction Fund will be invested by the Trustee in Permitted Investments. See “RISK FACTORS” herein.

Following completion of the Project and Final Endorsement of the permanent Mortgage Loan for Mortgage Insurance, the Construction Loan Certificates are to be exchanged for a single Project Loan Certificate. See “GINNIE MAE MORTGAGE-BACKED SECURITIES PROGRAM.” In the event the Project Loan Certificate is not issued on or before the Delivery Date (as the same may be extended), the Bonds must be redeemed. See “THE BONDS – Extraordinary Mandatory Redemption.” Following commencement of amortization, the Note shall be payable in approximately equal monthly installments of principal and interest over a period of 39 years 11 months from the date of commencement of amortization, corresponding to the term of the Note. The Borrower’s payments of principal and interest on the Note to the Lender (less the Ginnie Mae guaranty fee, the servicing fee and any late charges on the Mortgage Loan) are to be passed through by the Lender to the Trustee on a monthly basis as payments of principal of and interest on the Ginnie Mae Certificates, and such payments are to be applied to semiannual scheduled payments of interest and principal on the Bonds and to the payment of the Trustee’s fees and expenses, the dissemination agent’s fees and expenses and the fees and expenses of the Rebate Analyst engaged to perform arbitrage rebate analysis.

The Lender is obligated to make payments on the Ginnie Mae Certificates notwithstanding the failure of the Borrower to make payments on the Mortgage Loan. However, in the event that the Borrower defaults on the Mortgage Loan, the Lender may apply for Mortgage Insurance benefits which, when added to other funds required to be paid on the Ginnie Mae Certificates relating to the Mortgage Loan default, are to be passed through to the Trustee under the Ginnie Mae Certificates and applied to the redemption of the Bonds. See “GINNIE MAE MORTGAGE-BACKED SECURITIES PROGRAM” and “THE BONDS – Redemption of the Bonds – Extraordinary Mandatory Redemption.” The ability of the Borrower to make Mortgage Loan payments may be affected by a variety of factors, including satisfactory completion of construction of the Project within cost and time constraints, the achievement and maintenance of a sufficient level of occupancy, sound management of the Project, increases in rates to cover increases in operating expenses, or other factors. See “RISK FACTORS” herein.

The exclusion of interest on the Bonds from gross income for Federal income tax purposes is dependent upon compliance with certain provisions of the Internal Revenue Code of 1986, as amended (the “Code”) and applicable Treasury Regulations thereunder (the “Regulations”). Certain covenants under the Indenture, the Loan Agreement and the Regulatory Agreement and Declaration of Restrictive Covenants dated as of August 1, 2010 (the “Tax Regulatory Agreement”), by and between the Issuer and the Borrower, are designed to require compliance with such requirements of the Code and the Regulations. **THERE IS NO PROVISION IN THE BONDS OR THE INDENTURE FOR AN ACCELERATION OF THE BONDS OR PAYMENT OF ADDITIONAL INTEREST OR PENALTIES IN THE EVENT INTEREST ON THE BONDS IS DECLARED OR BECOMES TAXABLE, AND NEITHER THE ISSUER NOR THE BORROWER SHALL BE LIABLE FOR ANY SUCH PAYMENT**

OF ADDITIONAL INTEREST OR PENALTIES WHATSOEVER. Also, the enforcement of remedies available to the Issuer and Trustee upon a breach by the Borrower of the tax covenants under the Loan Agreement and the Tax Regulatory Agreement are substantially limited by the requirements of FHA with respect to FHA's insurance of the Mortgage Loan. See "SUBORDINATION TO MORTGAGE LOAN DOCUMENTS AND FHA REQUIREMENTS," "TAX MATTERS" and "THE PROJECT – Qualified Residential Rental Project" herein.

The purchase of the Bonds involves a degree of risk. Prospective purchasers should carefully consider the material under the caption "RISK FACTORS" herein.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF THE TRUST ESTATE, AS DEFINED IN THE INDENTURE, AND FUNDS PROVIDED THEREFOR UNDER THE INDENTURE AND DO NOT CONSTITUTE AN INDEBTEDNESS OF THE ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS, ANY OF THEIR MEMBERS, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION AND LAWS OF THE STATE. NEITHER THE FAITH AND CREDIT OF THE ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS OR ANY OF THEIR MEMBERS NOR THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR PREMIUM (IF ANY) OR INTEREST ON THE BONDS. NONE OF THE UNITED STATES OF AMERICA, THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT, THE FEDERAL HOUSING COMMISSIONER, THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION, NOR ANY OTHER AGENCY OF THE UNITED STATES OF AMERICA, SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, OR PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER OF THE ISSUER, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. NEITHER THE ISSUER NOR THE ASSOCIATION OF BAY AREA GOVERNMENTS HAS ANY TAXING POWER.

In the event of conflict between the provisions of the Note, the Mortgage, the HUD Regulatory Agreement (as defined below) and certain other documents required by FHA or the Lender (collectively, the "Mortgage Loan Documents") and the Indenture, the Loan Agreement or the Tax Regulatory Agreement, the Mortgage Loan Documents will control. The Borrower also will execute a Regulatory Agreement required by FHA (the "HUD Regulatory Agreement") with respect to the Project in order to provide for, among other things, a reserve fund for replacements, which will be held by the Lender. The Lender will hold a reserve for replacements as well as escrows for taxes, insurance and Mortgage Insurance premiums.

Brief descriptions of the Issuer, the Bonds, the security for the Bonds, the Borrower, the Project and the Ginnie Mae Mortgage-Backed Securities Program and summaries of certain documents are set forth herein, including in the Appendices hereto. Such summaries do not purport to be complete or definitive, and each such summary is qualified in its entirety by reference to each such document, copies of which are on file with the Trustee.

THE ISSUER

The following information has been provided by the Issuer. None of the Trustee, the Borrower, the Lender or the Underwriter have made any independent investigation regarding the information presented under this heading, nor have such parties verified the accuracy or completeness thereof, and none of the Trustee, the Borrower, the Lender or the Underwriter 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

The Bonds are only available in book-entry only form. See "BOOK-ENTRY ONLY SYSTEM" below. So long as Cede & Co., as nominee of The Depository Trust Company ("DTC"), is the registered

owner of the Bonds, references herein to the Bondholders or holders or Holders or registered owners of the Bonds means Cede & Co. and not the beneficial owners of the Bonds.

General Description

The Initial Draw Amount of Bonds will be dated as of the Closing Date and each subsequent draw of Bonds will be dated as of the immediately preceding Payment Date (as defined below); provided however, in the event that the draw of Bonds immediately succeeding the draw of Bonds on the Closing Date occurs prior to September 20, 2010, such Bonds will be dated as of the Closing Date. Except as otherwise provided in the Indenture, the principal amount of Bonds outstanding and due shall only be such aggregate amount as has been drawn down and interest shall accrue only on such principal amount as has been actually drawn down and shall bear interest computed on the basis of a 360-day year of twelve 30-day months and payable on the 20th day of each calendar month, commencing September 20, 2010 (each a "Payment Date") from the later of its date and the most recent Payment Date to which interest has been paid or duly provided for, except that when there is no existing default in the payment of interest on the Bonds, each Bond authenticated after the Regular Record Date for any Payment Date but prior to such Payment Date shall bear interest from such Payment Date. The Bonds are issuable on a draw down basis only as fully registered Bonds without coupons in the denomination of \$5,000 principal amount or any integral multiple of \$100 in excess thereof, and shall be initially available only in book-entry form. Principal of, premium, if any, and interest on the Bonds will be payable by the Trustee to Cede & Co. as registered holder of the Bonds.

The Bonds shall bear interest at the rates and will mature in the years and amounts stated on the inside cover page hereof. The Bonds shall be equally and ratably secured under the Indenture. Principal of and premium, if any, will be payable, upon surrender, at the designated corporate trust office of the Trustee, currently in San Francisco, California. Interest on the Bonds will be payable by check or draft mailed on each Payment Date to the person in whose name such Bond (or any predecessor Bond) is registered on the fifteenth day preceding each Payment Date or if such day is not a Business Day, then the preceding Business Day.

Limited Obligations

The Issuer covenants that it will promptly pay the principal of, premium, if any, and interest on every Bond issued under the Indenture at the place, on the dates and in the manner provided in the Indenture and in the Bonds according to the true intent and meaning thereof, but solely from the revenues and receipts specifically pledged thereto pursuant to the Indenture. The principal of, premium, if any, and interest on the Bonds are payable solely from moneys and investments specifically pledged under the Indenture to the payment thereof in the manner and to the extent therein specified, and nothing in the Bonds or in the Indenture will be construed as pledging any other funds or assets of the Issuer.

Redemption of the Bonds

Optional Redemption of Bonds. The Bonds are subject to redemption prior to maturity, as a whole or in part, at any time on the earliest practicable Business Day after the Trustee's receipt of written notice thereof for which funds are available and proper notice of redemption can be given under the Indenture, which redemption date will be on or after April 20, 2017 from (i) payments on the Ginnie Mae Certificates representing optional prepayments on the Mortgage Loan, (ii) a refunding of the Bonds (other than a refunding as a result of a default on the Mortgage Loan) or (iii) otherwise at the option of the Borrower, upon the written direction of the Borrower delivered to the Issuer and the Trustee, at the respective redemption prices set forth below expressed as a percentage of the principal amount of the Bonds called for redemption, plus accrued interest, if any, to the redemption date:

Redemption Dates	Redemption Prices
April 20, 2017 through April 19, 2018	105.00%
April 20, 2018 through April 19, 2019	104.00%
April 20, 2019 through April 19, 2020	103.00%
April 20, 2020 through April 19, 2021	102.00%
April 20, 2021 and thereafter	101.00%

Extraordinary Mandatory Redemption. The Bonds are subject to extraordinary mandatory redemption, without premium, as a whole, or in part in Authorized Denominations:

(i) (A) in whole, on the tenth (10th) day after the Delivery Date (as such date may be extended pursuant to the Indenture), if the Project Loan Certificate is not delivered to the Trustee or its nominee on or before the Delivery Date (as such date may be extended pursuant to the Indenture); provided, however, in the event that the Trustee holds on the Delivery Date (as such date may be extended pursuant to the provisions hereof) one or more Construction Loan Certificates in and for the benefit of the Construction Fund, such redemption in whole shall be effected in two steps: first, on the tenth (10th) day after the Delivery Date (as such date may be extended pursuant to the provisions hereof) from and to the extent of amounts on deposit in the Construction Fund, and second, on the Construction Loan Certificate Maturity Date from and to the extent of amounts received from any such maturing Construction Loan Certificate; or

(B) in whole, on the tenth (10th) day after the Initial Construction Loan Certificate Delivery Date (as such date may be extended pursuant to the Indenture), if the Initial Construction Loan Certificate is not delivered to the Trustee or its nominee on or before the Initial Construction Loan Certificate Delivery Date (as such date may be extended pursuant to the Indenture); or

(C) in part, on the first Business Day which is 10 days after any Draw Down Date if the corresponding Ginnie Mae Delivery Date has not occurred (and the corresponding Construction Loan Certificate delivered to the Trustee) within 10 days of such Draw Down Date (as such date may be extended pursuant to the Indenture), in a principal amount equal to the Bonds that were drawn down on such Draw Down Date, from amounts on deposit in the Bond Proceeds Account of the Construction Fund; provided however, that such 10-day period may be extended pursuant to the Indenture;

(ii) in part, on the earliest practicable Business Day for which funds are available and proper notice of redemption may be given pursuant to the Indenture, in a principal amount equal to the difference between the Project Loan Certificate Maximum Amount and the principal amount of the Project Loan Certificate attributed to a reduction of the Mortgage Loan confirmed in writing by the Lender (not including any difference due to scheduled amortization of the Mortgage Loan), as delivered, to the Trustee or its nominee; and/or

(iii) as a whole or in part, on the earliest practicable Business Day for which funds are available and proper notice of redemption can be given pursuant to the Indenture, in a principal amount equal to payments received by the Trustee or its nominee on the Ginnie Mae Certificates exceeding regularly scheduled payments of principal and interest thereon (other than optional prepayments of the Mortgage Loan), including payments representing:

(1) casualty insurance proceeds or condemnation awards applied to the prepayment of the Mortgage Loan following a partial or total destruction or condemnation of the Project,

(2) FHA Insurance proceeds or other amounts received with respect to the Mortgage Loan or Ginnie Mae Certificates as a result of a default under the Mortgage Loan,

(3) a prepayment of the Mortgage Loan permitted or required by the applicable rules, regulations, policies and/or procedures of FHA or Ginnie Mae, particularly if FHA determines such prepayment would avoid an FHA Insurance claim,

(4) a prepayment of a portion of the Mortgage Loan to the extent a reduction in the amount of the Mortgage Loan is required by FHA based upon any cost certification or other report required by FHA, and/or

(5) a prepayment of the Mortgage Loan made by the Borrower without notice or prepayment penalty while under supervision of a trustee in bankruptcy.

In the event of a redemption pursuant to this paragraph, the Bonds shall be redeemed at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption

(a) The Bonds will be subject to scheduled mandatory redemption on the respective Payment Dates set forth in the following table, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, in the principal amounts set forth in the following table, subject to pro rata reduction of such scheduled mandatory redemption payments to the extent that such Bonds are redeemed prior to maturity otherwise than pursuant to such scheduled mandatory redemption as set forth in the Indenture; **provided, however, that any such scheduled mandatory redemption payments set forth in the following table that occur prior to the PLC Delivery Date (as such date may be extended pursuant to the Indenture) will be deferred to the Payment Date immediately following the PLC Delivery Date (as such date may be extended pursuant to the Indenture).**

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BONDS MATURING ON MARCH 20, 2052

Redemption Date	Principal Amount	Redemption Date	Principal Amount
December 20, 2012	\$ 191,000	December 20, 2016	28,100
January 20, 2013	23,400	January 20, 2017	28,200
February 20, 2013	21,100	February 20, 2017	26,000
March 20, 2013	23,500	March 20, 2017	28,500
April 20, 2013	23,600	April 20, 2017	28,600
May 20, 2013	23,700	May 20, 2017	28,700
June 20, 2013	23,800	June 20, 2017	28,800
July 20, 2013	23,900	July 20, 2017	28,900
August 20, 2013	11,200	August 20, 2017	16,200
September 20, 2013	24,100	September 20, 2017	29,100
October 20, 2013	24,200	October 20, 2017	29,200
November 20, 2013	24,300	November 20, 2017	29,400
December 20, 2013	24,400	December 20, 2017	29,500
January 20, 2014	24,500	January 20, 2018	29,600
February 20, 2014	22,200	February 20, 2018	27,400
March 20, 2014	24,700	March 20, 2018	29,900
April 20, 2014	24,800	April 20, 2018	30,000
May 20, 2014	24,900	May 20, 2018	30,100
June 20, 2014	25,000	June 20, 2018	30,200
July 20, 2014	25,100	July 20, 2018	30,300
August 20, 2014	12,400	August 20, 2018	17,700
September 20, 2014	25,300	September 20, 2018	30,600
October 20, 2014	25,400	October 20, 2018	30,700
November 20, 2014	25,500	November 20, 2018	30,800
December 20, 2014	25,600	December 20, 2018	30,900
January 20, 2015	25,700	January 20, 2019	31,100
February 20, 2015	23,400	February 20, 2019	28,800
March 20, 2015	25,900	March 20, 2019	31,300
April 20, 2015	26,000	April 20, 2019	31,400
May 20, 2015	26,100	May 20, 2019	31,600
June 20, 2015	26,200	June 20, 2019	31,700
July 20, 2015	26,300	July 20, 2019	31,800
August 20, 2015	13,600	August 20, 2019	19,100
September 20, 2015	26,500	September 20, 2019	32,000
October 20, 2015	26,600	October 20, 2019	32,200
November 20, 2015	26,700	November 20, 2019	32,300
December 20, 2015	26,800	December 20, 2019	32,500
January 20, 2016	26,900	January 20, 2020	32,600
February 20, 2016	24,700	February 20, 2020	30,400
March 20, 2016	27,100	March 20, 2020	32,800
April 20, 2016	27,300	April 20, 2020	33,000
May 20, 2016	27,400	May 20, 2020	33,100
June 20, 2016	27,500	June 20, 2020	33,300
July 20, 2016	27,600	July 20, 2020	33,400
August 20, 2016	14,900	August 20, 2020	20,700
September 20, 2016	27,800	September 20, 2020	33,600
October 20, 2016	27,900	October 20, 2020	33,800
November 20, 2016	28,000	November 20, 2020	33,900

Redemption Date	Principal Amount	Redemption Date	Principal Amount
December 20, 2020	34,000	January 20, 2025	41,500
January 20, 2021	34,200	February 20, 2025	39,300
February 20, 2021	32,000	March 20, 2025	41,800
March 20, 2021	34,500	April 20, 2025	42,000
April 20, 2021	34,600	May 20, 2025	42,100
May 20, 2021	34,800	June 20, 2025	42,300
June 20, 2021	34,900	July 20, 2025	42,500
July 20, 2021	35,000	August 20, 2025	29,800
August 20, 2021	22,400	September 20, 2025	42,800
September 20, 2021	35,300	October 20, 2025	43,000
October 20, 2021	35,400	November 20, 2025	43,200
November 20, 2021	35,600	December 20, 2025	43,300
December 20, 2021	35,700	January 20, 2026	43,500
January 20, 2022	35,900	February 20, 2026	41,300
February 20, 2022	33,700	March 20, 2026	43,900
March 20, 2022	36,200	April 20, 2026	44,000
April 20, 2022	36,300	May 20, 2026	44,200
May 20, 2022	36,500	June 20, 2026	44,400
June 20, 2022	36,600	July 20, 2026	44,600
July 20, 2022	36,800	August 20, 2026	32,000
August 20, 2022	24,100	September 20, 2026	44,900
September 20, 2022	37,000	October 20, 2026	45,100
October 20, 2022	37,200	November 20, 2026	45,300
November 20, 2022	37,300	December 20, 2026	45,500
December 20, 2022	37,500	January 20, 2027	45,700
January 20, 2023	37,600	February 20, 2027	43,500
February 20, 2023	35,500	March 20, 2027	46,000
March 20, 2023	37,900	April 20, 2027	46,200
April 20, 2023	38,100	May 20, 2027	46,400
May 20, 2023	38,300	June 20, 2027	46,600
June 20, 2023	38,400	July 20, 2027	46,800
July 20, 2023	38,600	August 20, 2027	34,200
August 20, 2023	25,900	September 20, 2027	47,200
September 20, 2023	38,900	October 20, 2027	47,400
October 20, 2023	39,000	November 20, 2027	47,500
November 20, 2023	39,200	December 20, 2027	47,700
December 20, 2023	39,300	January 20, 2028	47,900
January 20, 2024	39,500	February 20, 2028	45,800
February 20, 2024	37,300	March 20, 2028	48,300
March 20, 2024	39,800	April 20, 2028	48,500
April 20, 2024	40,000	May 20, 2028	48,700
May 20, 2024	40,200	June 20, 2028	48,900
June 20, 2024	40,300	July 20, 2028	49,100
July 20, 2024	40,500	August 20, 2028	36,500
August 20, 2024	27,800	September 20, 2028	49,500
September 20, 2024	40,800	October 20, 2028	49,700
October 20, 2024	40,900	November 20, 2028	49,900
November 20, 2024	41,100	December 20, 2028	50,100
December 20, 2024	41,300	January 20, 2029	50,300

Redemption Date	Principal Amount	Redemption Date	Principal Amount
February 20, 2029	48,200	March 20, 2033	61,700
March 20, 2029	50,700	April 20, 2033	61,900
April 20, 2029	51,000	May 20, 2033	62,200
May 20, 2029	51,200	June 20, 2033	62,400
June 20, 2029	51,400	July 20, 2033	62,700
July 20, 2029	51,600	August 20, 2033	50,100
August 20, 2029	39,000	September 20, 2033	63,200
September 20, 2029	52,000	October 20, 2033	63,400
October 20, 2029	52,200	November 20, 2033	63,700
November 20, 2029	52,400	December 20, 2033	64,000
December 20, 2029	52,600	January 20, 2034	64,200
January 20, 2030	52,800	February 20, 2034	62,100
February 20, 2030	50,700	March 20, 2034	64,800
March 20, 2030	53,300	April 20, 2034	65,000
April 20, 2030	53,500	May 20, 2034	65,300
May 20, 2030	53,700	June 20, 2034	65,600
June 20, 2030	53,900	July 20, 2034	65,800
July 20, 2030	54,200	August 20, 2034	53,300
August 20, 2030	41,600	September 20, 2034	66,300
September 20, 2030	54,600	October 20, 2034	66,600
October 20, 2030	54,800	November 20, 2034	66,900
November 20, 2030	55,000	December 20, 2034	67,200
December 20, 2030	55,200	January 20, 2035	67,400
January 20, 2031	55,500	February 20, 2035	65,400
February 20, 2031	54,700	March 20, 2035	68,000
March 20, 2031	55,900	April 20, 2035	68,300
April 20, 2031	56,200	May 20, 2035	68,600
May 20, 2031	56,400	June 20, 2035	68,900
June 20, 2031	56,600	July 20, 2035	69,100
July 20, 2031	56,900	August 20, 2035	56,600
August 20, 2031	44,300	September 20, 2035	69,700
September 20, 2031	57,300	October 20, 2035	70,000
October 20, 2031	57,500	November 20, 2035	70,200
November 20, 2031	57,800	December 20, 2035	70,500
December 20, 2031	58,000	January 20, 2036	70,800
January 20, 2032	58,200	February 20, 2036	68,800
February 20, 2032	56,100	March 20, 2036	71,400
March 20, 2032	58,700	April 20, 2036	71,700
April 20, 2032	59,000	May 20, 2036	72,000
May 20, 2032	59,200	June 20, 2036	72,300
June 20, 2032	59,500	July 20, 2036	72,600
July 20, 2032	59,700	August 20, 2036	60,100
August 20, 2032	47,100	September 20, 2036	73,200
September 20, 2032	60,200	October 20, 2036	73,500
October 20, 2032	60,400	November 20, 2036	73,800
November 20, 2032	60,700	December 20, 2036	74,100
December 20, 2032	60,900	January 20, 2037	74,400
January 20, 2033	61,200	February 20, 2037	72,400
February 20, 2033	59,100	March 20, 2037	75,000

Redemption Date	Principal Amount	Redemption Date	Principal Amount
April 20, 2037	75,300	May 20, 2041	92,100
May 20, 2037	75,600	June 20, 2041	92,400
June 20, 2037	75,900	July 20, 2041	92,800
July 20, 2037	76,300	August 20, 2041	80,400
August 20, 2037	63,800	September 20, 2041	93,500
September 20, 2037	76,800	October 20, 2041	93,900
October 20, 2037	77,200	November 20, 2041	94,300
November 20, 2037	77,500	December 20, 2041	94,700
December 20, 2037	77,800	January 20, 2042	95,100
January 20, 2038	78,100	February 20, 2042	93,200
February 20, 2038	76,100	March 20, 2042	95,900
March 20, 2038	78,800	April 20, 2042	96,300
April 20, 2038	79,100	May 20, 2042	96,700
May 20, 2038	79,400	June 20, 2042	97,100
June 20, 2038	79,800	July 20, 2042	97,500
July 20, 2038	80,100	August 20, 2042	85,100
August 20, 2038	67,600	September 20, 2042	98,300
September 20, 2038	80,700	October 20, 2042	98,700
October 20, 2038	81,100	November 20, 2042	99,100
November 20, 2038	81,400	December 20, 2042	99,500
December 20, 2038	81,700	January 20, 2043	99,900
January 20, 2039	82,100	February 20, 2043	98,000
February 20, 2039	80,100	March 20, 2043	100,700
March 20, 2039	82,700	April 20, 2043	101,200
April 20, 2039	83,100	May 20, 2043	101,600
May 20, 2039	83,400	June 20, 2043	102,000
June 20, 2039	83,800	July 20, 2043	102,400
July 20, 2039	84,100	August 20, 2043	90,000
August 20, 2039	71,700	September 20, 2043	103,200
September 20, 2039	84,800	October 20, 2043	103,700
October 20, 2039	85,100	November 20, 2043	104,100
November 20, 2039	85,500	December 20, 2043	104,500
December 20, 2039	85,800	January 20, 2044	105,000
January 20, 2040	86,200	February 20, 2044	103,100
February 20, 2040	84,200	March 20, 2044	105,800
March 20, 2040	86,900	April 20, 2044	106,300
April 20, 2040	87,300	May 20, 2044	106,700
May 20, 2040	87,600	June 20, 2044	107,200
June 20, 2040	88,000	July 20, 2044	107,600
July 20, 2040	88,400	August 20, 2044	95,200
August 20, 2040	75,900	September 20, 2044	108,500
September 20, 2040	89,100	October 20, 2044	108,900
October 20, 2040	89,400	November 20, 2044	109,400
November 20, 2040	89,800	December 20, 2044	109,800
December 20, 2040	90,200	January 20, 2045	110,300
January 20, 2041	90,500	February 20, 2045	108,400
February 20, 2041	88,600	March 20, 2045	111,200
March 20, 2041	91,300	April 20, 2045	111,600
April 20, 2041	91,700	May 20, 2045	112,100

Redemption Date	Principal Amount	Redemption Date	Principal Amount
June 20, 2045	112,600	November 20, 2048	133,200
July 20, 2045	113,000	December 20, 2048	133,800
August 20, 2045	100,700	January 20, 2049	134,400
September 20, 2045	113,900	February 20, 2049	132,600
October 20, 2045	114,400	March 20, 2049	135,500
November 20, 2045	114,900	April 20, 2049	136,000
December 20, 2045	115,400	May 20, 2049	136,600
January 20, 2046	115,900	June 20, 2049	137,200
February 20, 2046	114,000	July 20, 2049	137,700
March 20, 2046	116,800	August 20, 2049	125,500
April 20, 2046	117,300	September 20, 2049	138,800
May 20, 2046	117,800	October 20, 2049	139,400
June 20, 2046	118,300	November 20, 2049	140,000
July 20, 2046	118,800	December 20, 2049	140,600
August 20, 2046	106,400	January 20, 2050	141,200
September 20, 2046	119,700	February 20, 2050	139,400
October 20, 2046	120,200	March 20, 2050	142,300
November 20, 2046	120,700	April 20, 2050	142,900
December 20, 2046	121,200	May 20, 2050	143,500
January 20, 2047	121,700	June 20, 2050	144,100
February 20, 2047	119,900	July 20, 2050	144,700
March 20, 2047	122,700	August 20, 2050	132,900
April 20, 2047	123,200	September 20, 2050	145,900
May 20, 2047	123,700	October 20, 2050	146,500
June 20, 2047	124,300	November 20, 2050	147,100
July 20, 2047	124,800	December 20, 2050	147,700
August 20, 2047	112,500	January 20, 2051	148,300
September 20, 2047	125,800	February 20, 2051	146,600
October 20, 2047	126,300	March 20, 2051	149,600
November 20, 2047	126,800	April 20, 2051	150,200
December 20, 2047	127,300	May 20, 2051	150,800
January 20, 2048	127,900	June 20, 2051	151,400
February 20, 2048	126,100	July 20, 2051	152,100
March 20, 2048	128,900	August 20, 2051	142,500
April 20, 2048	129,500	September 20, 2051	153,300
May 20, 2048	130,000	October 20, 2051	153,900
June 20, 2048	130,600	November 20, 2051	154,600
July 20, 2048	131,100	December 20, 2051	155,200
August 20, 2048	118,800	January 20, 2052	155,900
September 20, 2048	132,100	February 20, 2052	154,200
October 20, 2048	132,700	March 20, 2052 [†]	155,100

[†]Final Maturity

(b) If the Bonds are redeemed in part pursuant to the optional or extraordinary mandatory redemption provisions, the scheduled mandatory redemption payments of the Bonds set forth above will be reduced so that the resulting decrease in the scheduled mandatory redemption payments is

proportional, as nearly as practical, to the decrease in payments under the Ginnie Mae Certificates, and so that the resulting scheduled mandatory redemption payments are in Authorized Denominations.

Selection of Bonds for Redemption

In the event of a partial redemption of Bonds, (a) the particular Bonds to be redeemed shall be selected (and the mandatory sinking fund redemption schedule shall be adjusted) by the Trustee in order that the resulting decrease in the debt service on the Bonds in each monthly period ending on a Payment Date is proportional, as nearly as practicable, to the decrease in payments on the Ginnie Mae Certificates and (b) the Bonds or portions thereof to be redeemed within each maturity shall be in Authorized Denominations and shall be selected by lot or in such manner as the Trustee may determine in its discretion. The remaining principal amount of any Bond redeemed in part must be in an Authorized Denomination.

Notice of Redemption

When any redemption of Bonds is to be made under the Indenture, the Trustee, or the Bond Registrar on behalf of the Trustee, will give notice, in the name of the Issuer, of the redemption of such Bonds, which notice will meet the requirements described below. Such notice will be given by mailing by first class mail a copy of such notice, postage prepaid, not less than 15 nor more than 30 days (not less than 5 nor more than 10 days in the case of extraordinary mandatory redemption) before the redemption date, to the Owners of any Bonds or portions of Bonds to be redeemed, at their last addresses, if any, appearing upon the Bond Register, but any defect in such mailing will not impair any such redemption and failure so to mail any such notice will not affect the validity of the proceedings for the redemption of Bonds; provided that notice of a redemption (other than a mandatory sinking fund redemption) will also be mailed to the Rating Agency at its office in New York, New York (or its successor), and to the Underwriter at its principal office in Montgomery, Alabama (or its successor), and to such other Persons as the Issuer will specify in writing to the Trustee, including all Persons then required by law or regulation to receive notice of such redemption.

Notwithstanding the foregoing or any other provision of the Indenture, in the event of a redemption by reason of the Trustee receiving payments on the Mortgage Loan made by the Borrower without notice or prepayment penalty while under the supervision of a trustee in bankruptcy, prior notice of redemption of Bonds will not be required if circumstances do not permit the Trustee to give such notice in accordance with the preceding paragraph.

Except in the case of an extraordinary mandatory redemption as described in parts (i) and (ii) under “THE BONDS – Redemption of the Bonds – Extraordinary Mandatory Redemption” hereinabove or in the case of a mandatory sinking fund redemption, the Trustee will not mail a notice of redemption until it has received Available Money to effect such redemption or, in the case of an optional redemption, certification from the Lender that it has in its possession (credited to the appropriate “servicer’s account”) immediately available funds paid by the Borrower as a prepayment of principal and the applicable prepayment premium on the Mortgage Note equal to the amount required to redeem the Bonds.

Any notice of redemption pursuant to the provisions described in part (i) under “THE BONDS – Redemption of the Bonds – Extraordinary Mandatory Redemption” will state that such notice of redemption is conditional and will be rescinded if prior to redemption of the Bonds (i) the Initial Construction Loan Certificate Delivery Date, the Delivery Date and/or the Construction Loan Certificate Maturity Date (as applicable) is extended pursuant to the Indenture or (ii) in the case of a redemption pursuant to clause (A) of said part (i), the Project Loan Certificate is delivered to the Trustee or its nominee prior to the redemption date, or (iii) in the case of a redemption pursuant to clause (B) of said

part (i), the Initial Construction Loan Certificate is delivered to the Trustee or its nominee prior to the redemption date or (iv) in the case of a redemption pursuant to clause (C) of said part (i), the Construction Loan Certificate is delivered to the Trustee or its nominee prior to the redemption date.

The failure of the Trustee to mail notice of redemption to Persons other than the Owners of Bonds to be redeemed will not affect the sufficiency of the proceedings for redemption. The Trustee will be entitled to request, as an expense of the Trust Estate, receive and rely upon an opinion of counsel (which may be Bond Counsel) in determining who is required to receive such notice.

All official notices of redemption will be dated, will be given in accordance with the Letter of Representations if the Bonds are registered in the name of DTC or its nominee, and shall state: (i) the redemption date; (ii) the redemption price; (iii) if less than all Outstanding Bonds are to be redeemed, the identification by designation, letters, numbers or other distinguishing marks (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed; (iv) that on the redemption date the redemption price of each such Bond will become due and payable to the extent of funds on deposit with the Trustee for that purpose, and that interest on the principal amount of each such Bond to be redeemed will cease to accrue on such date; (v) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment will be the Bond Registrar office of the Trustee; and (vi) such additional information as the Trustee or the Issuer deems appropriate.

If the Bonds are not then being held under a book entry system, each further notice of redemption (other than an extraordinary mandatory redemption) shall be sent at least 30 days before the redemption date by first class mail or overnight delivery service to the Securities Depositories and to one or more Information Services. This further notice of redemption sent to the Securities Depositories pursuant to the preceding sentence will be sent at such time as will insure that such notice is received at least two Business Days before official notice of such redemption is received.

A second notice of redemption will be sent by the same means as the first such notice not later than 60 days after the redemption date to any Owner who shall not have presented for payment the Bond or Bonds called for redemption within 30 days after such date.

Failure to give any official or further notice or any defect therein will not affect the validity of the proceedings for redemption of any Bond with respect to which no such failure or defect has occurred or exists.

Rescission of Extraordinary Mandatory Redemption and Optional Redemption

In the event that, prior to redemption of Bonds pursuant to the provisions described in clauses (i)(A), (i)(B) or (i)(C) under “THE BONDS – Redemption of the Bonds – Extraordinary Mandatory Redemption,” the Delivery Date, the Initial Construction Loan Certificate Delivery Date and/or a Ginnie Mae Delivery Date (as applicable) is extended pursuant to the Indenture, or the Project Loan Certificate is delivered to the Trustee or its nominee, then, in any such event, the notice of such redemption will be rescinded, the Trustee will so notify the Owners of Bonds to whom such notice of redemption was sent, and the Bonds will not be so redeemed. Any such event will not constitute an Event of Default under the Indenture.

With respect to optional redemption of the Bonds, if the Bond Registrar does not have Available Money in its possession on the redemption date sufficient to pay the redemption price (including interest accruing to the redemption date) of all of the Bonds to be optionally redeemed for any reason (including, but not limited to, failure to issue any refunding obligations intended for such purpose on or prior to the redemption date), then the purported optional redemption and such notice of redemption will be

rescinded, the Bonds will not be redeemed, and the Bond Registrar will so notify the Trustee. Such event will not constitute an Event of Default under the Indenture.

Optional Tender of Bonds by Bondholder

The Bonds will be subject to optional tender in whole, and not in part, on any date from and after 30 days following the date of delivery of the Project Loan Certificate to the Trustee and the occurrence of the LIHTC Placed in Service Date. In such an event, the Bonds may be tendered no earlier than the 30th calendar day following notice from Bondholder to the Trustee. Upon tender of the Bonds, the Trustee shall transfer to the Bondholder, as full consideration for the tender price, ownership of the Project Loan Certificate, together with accrued interest on the Project Loan Certificate (calculated at the Pass-Through Rate) through the date of the tender and any payment received on the Project Loan Certificate prior to the tender date (not already used to pay interest and principal on the Bonds). Upon tender of the Bonds, the Bonds shall be deemed tendered and cancelled on the books of the Trustee whether or not such Bonds have been physically delivered.

Additional Bonds

The Indenture does not provide for the issuance of additional Bonds on a parity with the Bonds.

Transfer and Exchange of the Bonds

So long as the Bonds are in book-entry only form, Cede & Co., as nominee of DTC, will be the sole registered owner of the Bonds. Transfers of beneficial interest in the Bonds will be made as described below under “THE BONDS – Book-Entry-Only System.”

Book-Entry-Only System

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

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

with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

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

payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Bonds will be secured under the Indenture by (a) all right, title and interest of the Issuer in and to the Loan Agreement (except for the Issuer's Reserved Rights), (b) all right, title and interest of the Issuer in the Ginnie Mae Certificates, including all payments with respect thereto and any interest, profits and other income derived from the investment thereof, (c) the Construction Fund, the Bond Fund and the Special Mandatory Redemption Fund (but excluding the Rebate Fund and the Costs of Issuance Fund), including money and investments therein, held by the Trustee pursuant to the terms of the Indenture, and (d) all other property of any kind mortgaged, pledged or hypothecated at any time as and for additional security under the Indenture by the Issuer or by anyone on its behalf or with its written consent in favor of the Trustee, which is authorized to receive any and all such property at any and all times and to hold any apply the same subject to the terms of the Indenture.

The Bonds and the interest thereon are limited obligations of the Issuer, payable solely from the Trust Estate, which are specifically assigned and pledged to such purposes in the manner and to the extent provided in the Indenture. None of the United States of America, HUD, FHA, any other agency of the United States of America, Ginnie Mae, the Issuer, the State, nor any political subdivision thereof (except the Issuer, to the limited extent set forth herein) will in any event be liable for the payment of the principal of, or premium (if any) or interest on the Bonds or for the performance of any pledge, obligation or agreement of any kind whatsoever of the Issuer, and none of the Bonds or any of the Issuer's agreements or obligations will be construed to represent or constitute an indebtedness of or a pledge of the full faith, and credit or taxing power of or a loan of the credit of any of the foregoing within the meaning of any constitutional, charter or statutory provision whatsoever. The Bonds and the premium, if any, and interest thereon will not represent or constitute a debt, bonded indebtedness or pledge or a loan of the faith and credit or the taxing power of the Issuer, the State, or any political corporation, subdivision

or agency thereof within the meaning of any constitutional, charter or statutory provision. The Bonds are not and never will become general obligations of the Issuer and will not be payable from the general revenues of the Issuer, and neither the Issuer nor the State, any political corporation, subdivision, or agency thereof will be liable thereon, nor in any event will the Bonds be payable out of any funds or properties other than those of the Issuer specifically pledged therefor. No holder of any Bonds has the right to compel any exercise of the taxing power of the foregoing to pay the Bonds or the interest or the redemption premium, if any, thereon, and the Bonds will not be construed to create any moral obligation on the part of the Issuer with respect to the payment of the Bonds. Neither the Issuer nor the Association of Bay Area Governments has any taxing power.

GINNIE MAE MORTGAGE-BACKED SECURITIES PROGRAM

General

The summary and explanation of the Ginnie Mae Mortgage-Backed Securities Program and the other documents referred to herein do not purport to be complete, and reference is made to the Ginnie Mae I Mortgage-Backed Securities Guide (Ginnie Mae Handbook 5500.3) (the “Ginnie Mae Guide”) and to said documents for full and complete statements of their provisions. The following information concerning the Ginnie Mae Mortgage-Backed Securities Program has not been independently confirmed or verified by the Issuer, the Borrower or the Underwriter. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material changes in such information subsequent to the date hereof.

The Government National Mortgage Association (“Ginnie Mae”) is a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development (“HUD”) with its principal office in Washington, D.C.

The Ginnie Mae Certificates will be “fully modified pass through” mortgage backed securities issued and serviced by the Lender. The total face amount of the Ginnie Mae Certificates will be in approximately the same amount as the Note subject to a rounding convention and subject to reduction for principal amortization and unscheduled principal recoveries with respect to the Mortgage Loan. The Lender will be required to pass through to the Trustee or its nominee, as the holder of the Ginnie Mae Certificates, by the fifteenth (15th) day of each month the monthly scheduled installments of principal and interest (interest only on the Construction Loan Certificates) on the Note (less the Ginnie Mae guarantee fee and the Lender’s servicing fee), whether or not the Lender receives such payment from the Borrower, plus any unscheduled prepayments of principal of the Note received by the Lender. Ginnie Mae guarantees the timely payment of the principal of and interest on the Ginnie Mae Certificates.

Two types of Ginnie Mae Certificates are intended to be issued by the Lender in connection with the financing of the Project: (i) Construction Loan Certificates (“Construction Loan Certificates”) which are to be issued with respect to each construction loan advance under the Mortgage Loan and (ii) the Project Loan Certificate (“Project Loan Certificate”) which is to be issued with respect to the permanent Mortgage Loan. Construction Loan Certificates are expected to be dated no later than the first day of the month following the month in which a construction advance is made under the Mortgage Loan and to provide that accrued interest for thirty (30) days is payable by the Lender to the Trustee or its nominee as holder of the Construction Loan Certificates commencing forty five (45) days after the issue date, and continuing on the fifteenth (15th) day of each successive month thereafter until maturity of the Construction Loan Certificates (as such may be extended with the approval of Ginnie Mae) or exchange of the Construction Loan Certificates for the Project Loan Certificate, whichever is earlier.

Ginnie Mae Guaranty

Ginnie Mae is authorized by Section 306(g) of Title III of the National Housing Act, as amended, to guarantee the timely payment of the principal of and interest on securities which are based on and backed by, among other things, mortgage pools consisting of a single mortgage insured by FHA under the National Housing Act. Section 306(g) of the National Housing Act further provides that “the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection.” An opinion, dated December 9, 1969, of then Assistant Attorney General of the United States, states that such guaranties under Section 306(g) of mortgage-backed securities of the type being delivered by the Lender to the Trustee or its nominee are authorized to be made by Ginnie Mae and “would constitute general obligations of the United States backed by its full faith and credit.”

Pursuant to such authority, Ginnie Mae, upon delivery of a Ginnie Mae Certificate to the Lender or its nominee in accordance with the related Ginnie Mae Guaranty Agreement, will have guaranteed the timely payment of the principal of and interest on such Ginnie Mae Certificate.

Ginnie Mae Borrowing Authority

In order to meet its obligations under such guaranty, Ginnie Mae, in its corporate capacity under Section 306(d) of Title III of the National Housing Act, may issue its general obligations to the United States Treasury Department (the “Treasury”) in an amount outstanding at any one time sufficient to enable Ginnie Mae, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the Ginnie Mae Certificates. The Treasury is authorized to purchase any obligations so issued by Ginnie Mae and has indicated in a letter dated February 13, 1970, from then Secretary of the Treasury to then Secretary of HUD that the Treasury will make loans to Ginnie Mae, if needed, to implement the aforementioned guaranty.

Ginnie Mae warrants to the holder of the Ginnie Mae Certificates, in the related Ginnie Mae Guaranty Agreement, that, in the event Ginnie Mae is called upon at any time to make good its guaranty of the payment of principal of and interest on the Ginnie Mae Certificates, it will, if necessary, in accordance with Section 306(d), apply to the Treasury for a loan or loans in amounts sufficient to make payments of principal and interest on the Ginnie Mae Certificates.

Servicing of Mortgage Loan

Under contractual arrangements between the Lender and Ginnie Mae, the Lender is responsible for servicing and otherwise administering the Mortgage in accordance with generally accepted practices of the mortgage banking industry and the Ginnie Mae Guide.

The monthly remuneration of the Lender, for its servicing and administrative functions, and the guaranty fee charged by Ginnie Mae, are based on the unpaid principal amount of the Ginnie Mae Certificates outstanding. The total of these servicing and guaranty fees for this transaction has been set at 0.25% per annum, payable monthly, calculated on the principal balance of the Ginnie Mae Certificates outstanding on the last day of the month preceding such calculation. Of the total fee, part is paid to Ginnie Mae as a guaranty fee (in this case, 0.13%), and the remainder (in this case, 0.12%) is retained by the Lender as a servicing fee. The Ginnie Mae Certificates carry interest rates that are fixed at 0.25% per annum less than the interest rate on the Note; and the servicing and guaranty fees are deducted from payments on the Note so that interest payments received by the Trustee on the Ginnie Mae Certificates are not reduced below the stated rate of interest on the Ginnie Mae Certificates.

It is expected that interest and principal payments on the Note received by the Lender from the Borrower will be the source of moneys for payments on the Ginnie Mae Certificates. If such payments are less than what is due, the Lender may advance its own funds to ensure timely payments of scheduled installments coming due on the Ginnie Mae Certificates. Ginnie Mae guarantees such timely payment to the Trustee or its nominee in the event of the failure of the Lender to pass through such scheduled payments when due (whether or not made by the Borrower).

The Lender is required to advise Ginnie Mae in advance of any impending default on scheduled payments so that Ginnie Mae as guarantor will be able to continue such payments as scheduled on the 15th day of each month. However, if such payments are not received as scheduled, the Trustee or its nominee, on behalf of the Issuer, has recourse directly to Ginnie Mae.

The Ginnie Mae Guaranty Agreements to be entered into by the Lender and Ginnie Mae upon issuance of the Ginnie Mae Certificates (each, a "Ginnie Mae Guaranty Agreement") will provide that, in the event of a default by the Lender, including (i) a request to Ginnie Mae to make a payment of principal or interest on the Ginnie Mae Certificates when the Borrower is not in default under the Note, (ii) insolvency of the Lender, or (iii) default by the Lender under any other guaranty agreement with Ginnie Mae, Ginnie Mae shall have the right, by letter to the Lender, to effect and complete the extinguishment of the Lender's interest in the Note, and the Note shall thereupon become the absolute property of Ginnie Mae, subject only to the unsatisfied rights of the holders of the Ginnie Mae Certificates. In such event, each Ginnie Mae Guaranty Agreement will provide that on and after the time Ginnie Mae directs such letter of extinguishment to the Lender, Ginnie Mae shall be the successor in all respects to the Lender in its capacity under such Ginnie Mae Guaranty Agreement and the transaction and arrangements set forth or arranged for therein and will be subject to all responsibilities, duties and liabilities (except the Lender's indemnification of Ginnie Mae), theretofore placed on the Lender by the terms and provisions of such Ginnie Mae Guaranty Agreement, provided that at any time Ginnie Mae may enter into an agreement with any other eligible issuer of Ginnie Mae Certificates under which the latter undertakes and agrees to assume any part or all of such responsibilities, duties or liabilities theretofore placed on the Lender, and provided that no such agreement shall detract from or diminish the responsibilities, duties, or liabilities of Ginnie Mae in its capacity as guarantor of the Ginnie Mae Certificates, or otherwise adversely affect the rights of the holders thereof.

Payment of Principal and Interest on the Ginnie Mae Certificates

As a condition to the issuance of each Ginnie Mae Certificate, the Lender will be obligated to deliver certain documents to Ginnie Mae prior to the anticipated delivery date of such Ginnie Mae Certificate, including evidence of the advance of the Mortgage Loan and its endorsement for Mortgage Insurance. During the period between the date of an advance under the Mortgage Loan and the issuance of a Ginnie Mae guaranty of the related Ginnie Mae Certificate, it is possible that the Borrower could default under the Mortgage or the Note or the Lender could default under the Ginnie Mae Guaranty Agreement. Ginnie Mae has stated, among other things, that, in the event of either or both types of default, it nevertheless will (except in the event of fraud or misrepresentation by the Lender) generally approve the issuance of the Construction Loan Certificate corresponding to the advance under the Note made prior to the default (Ginnie Mae has not made such a statement with respect to the issuance of a Project Loan Certificate).

In the event the Lender is in default under the Ginnie Mae Guaranty Agreement subsequent to an advance under the Note but prior to approval by Ginnie Mae of the issuance of a Construction Loan Certificate corresponding to such advance, Ginnie Mae is not required to assume the Lender's liability and responsibility under the Mortgage and the building loan agreement to complete the financing of the Project and the issuance of the remaining Ginnie Mae Certificates. If it were to decide to complete the

financing, at its option, Ginnie Mae could either assume the role of the Lender and issue the Ginnie Mae Certificates to the Trustee or its nominee, or could arrange for issuance of the Ginnie Mae Certificates by another authorized issuer of Ginnie Mae Certificates. In the event Ginnie Mae decides not to complete or arrange for the completion of the financing, no further proceeds of the Bonds would be advanced to acquire additional Ginnie Mae Certificates with respect to the Project. Ginnie Mae would remain obligated to make payments under Ginnie Mae Certificates previously issued.

Payment of interest on the Ginnie Mae Certificates is required to be made in monthly installments on or before the 15th day of each month commencing the month next following the date of issuance of such Ginnie Mae Certificates. The Construction Loan Certificates shall provide for payment of interest only until maturity at a rate equal to the interest rate on the Note less the guaranty and servicing fees computed in accordance with the Ginnie Mae Guide. Accrued interest for 30 days shall be payable to the holders of the securities commencing on the 15th day of the month next following the issue date and shall be due continuously on the 15th day of each successive month. The Construction Loan Certificates will mature on the earlier of their stated maturity date or upon issuance of the Project Loan Certificate (i.e., after the final endorsement of the Note and after the Lender has complied with all of the requirements of the Ginnie Mae Guide for issuance of the Project Loan Certificate). Upon the issuance of the Project Loan Certificate and commencement of the payment of principal thereon, the Project Loan Certificate will be payable in monthly installments of principal and interest, subject to prepayment due to prepayment, assignment for insurance benefits or acceleration of the Note. Each installment on the Project Loan Certificate is applied first to interest and then in reduction of the principal balance then outstanding on the Project Loan Certificate. The amount of principal due on the Project Loan Certificate is the scheduled principal amortization currently due on the Note. The Construction Loan Certificate maturity date was established by allowing at least 200% of the HUD anticipated construction time. Upon approval by Ginnie Mae, in instances of mortgage default or other unusual circumstances preventing the finally endorsed mortgage from becoming eligible for mortgage backed security pooling, retirement shall be by payment of cash. The maturity date of the Project Loan Certificate is expected to be set at March 15, 2052.

Each of the monthly installments shall be subject to adjustment by reason of any prepayments or other early or unscheduled recoveries of principal on the Note. In any event, the Lender is required to pay to the Trustee or its nominee, as holder of the Ginnie Mae Certificates, monthly installments of not less than the interest due on the Ginnie Mae Certificates at the rate specified in the Ginnie Mae Certificates, together with any scheduled installments of principal whether or not collected from the Borrower and any prepayments or early recovery of principal. Final payment of the Project Loan Certificate shall be made upon surrender of the outstanding Project Loan Certificate.

At its option, the Lender may repurchase the Mortgage Loan and pay off the Ginnie Mae Certificates in the event that no payment is made on the Mortgage Loan for three consecutive months.

Liability of the Lender

THE GINNIE MAE CERTIFICATES WILL NOT CONSTITUTE A LIABILITY OF NOR EVIDENCE ANY RECOURSE AGAINST THE LENDER. THE GINNIE MAE CERTIFICATES ARE BASED ON AND BACKED BY THE MORTGAGE ON THE REAL PROPERTY SECURING THE NOTE. RECOURSE MAY BE HAD BY THE TRUSTEE OR ITS NOMINEE, ONLY TO GINNIE MAE IN THE EVENT OF ANY FAILURE OF TIMELY PAYMENT AS PROVIDED FOR IN THE GINNIE MAE GUARANTY AGREEMENTS APPENDED TO THE GINNIE MAE CERTIFICATES.

THE PROJECT

The Project will be a newly constructed mixed-use development to be known as Arc Light Co Residences (the “Project”), built on a 22,000 square foot development site located at 178 Townsend Street, San Francisco, CA 94103. The Project site is occupied by the former California Electric Light Company Station B building, a historic brick commercial structure originally built in 1888 and now listed as a “Contributory Building” in the City’s South End Historic District. The existing building is currently being used as a valet-operated parking garage with a capacity of about 110 vehicles. The Project will preserve the majority of the existing building and consist of 94 newly constructed residential units, of which 80% of the units are market rate units (the “Market Rate Units”) and 20% of the units are low income units (the “Affordable Units”). In addition to the Market Rate Units and Affordable Units, the Project would also provide for underground parking for approximately 46 vehicles and up to approximately 3,000 square feet of ground floor retail space (collectively, the “Amenities Area”).

After construction, the unit mix for the Project will consist of the following:

Unit Type	No. Units	Income	Approx. Size (ft ²)
0BR	2	30% AMI	406 sq. ft.
0BR	10	Market	435 sq. ft.
1BR/1BA	9	30% AMI	620 sq. ft.
1BR/1BA	34	Market	680 sq. ft.
2BR/2BA	8	30% AMI	800 sq. ft.
2BR/2BA	30	Market	957 sq. ft.
3BR/2BA	<u>1</u>	Market	1047 sq. ft.
Market Rate Units:	75		
Affordable Units:	<u>19</u>		
TOTAL UNITS	94		

All of the units in the Project have refrigerators, dishwashers, garbage disposals, gas ranges/ovens, hood microwaves, washers/dryers, oscillating dual-head ceiling fans, and heating/cooling; the 4th and 5th floors feature balconies, and the 6th floor features private outdoor decks. Gourmet kitchens include fully integrated cabinetry, granite countertops, stainless steel sinks, and high-end fixtures. Bathrooms are finished with teak counters, porcelain vessel sinks, custom cabinetry, and spacious porcelain-tiled showers. Other design features include expansive windows, acid-stained concrete floors and custom pendant lighting throughout. Residential amenities include private garage parking, City CarShare vehicles parked on-site for exclusive use by residents, electric car charging stations, a dog run, and an elaborate landscaped roof deck with city views, a custom spa, Viking grilling area, and an ultra-modern fitness center. The residents pay for gas, electric, water and sewer.

The developer of the Project is proposing a green (environmentally friendly) building with energy efficient appliances, use of environmentally preferred products, outdoor ventilation system and advanced local exhaust system. The Project will be the first residential building in San Francisco to apply for LEED Gold Certification, which encourages transit oriented mixed use/mixed income projects.

The Borrower intends to operate the Project as a “Qualified Residential Rental Project” in accordance with the provisions of Section 142(d) of the Code. Concurrently with the issuance of the Bonds, the Borrower, the Issuer and the Trustee will enter into the Tax Regulatory Agreement. Under the Tax Regulatory Agreement, the Borrower will agree that, at all times during the “Qualified Project Period,” the Borrower will rent at least twenty percent (20%) of the units in the Project (the “Affordable

Units”) to persons whose adjusted family income (determined in accordance with the provisions of the Code) is less than or equal to fifty percent (50%) of the area median income (adjusted for family size). The “Qualified Project Period” is the period determined separately for each parcel comprising the Project, beginning on the later of the first day on which 10% of the units in the Project are first occupied or the Closing Date and ending on the latest of (a) the date which is fifteen (15) years after the first date on which at least fifty percent (50%) of the units in the Project are or were first occupied after acquisition and construction of the Project with proceeds of the Bonds, (b) the first day on which no tax exempt “private activity bond” (within the meaning of Section 141(a) of the Code) (including the Bonds or any tax exempt bonds issued to refund the Bonds) issued with respect to the Project is outstanding, or (c) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937, as amended, terminates. See “APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE, THE LOAN AGREEMENT AND THE TAX REGULATORY AGREEMENT.”

The Project will also be encumbered by a Standard Agreement (the “Standard Agreement”) required by the California Department of Housing and Community Development, which will restrict the income levels of 20% of the units in the Project to amounts not greater than 30% of area median income, adjusted for family size.

If the Borrower elects, after the Bonds are issued, to syndicate low income housing tax credits with respect to the Affordable Units, the Project would also be encumbered by use restrictions required by Section 42 of the Code relating to tax credits, which will restrict the income levels of the Affordable Units pursuant to an Indenture of Restrictive Covenants. Under those circumstances, all of the Tax Credit Units would be required to be held available for rental to persons whose adjusted family income is equal to or less than 50% of the area median income adjusted for family size and the rents which may be charged for occupancy of units in the Project will be restricted to not more than 30% of 50% of area median income, adjusted for family size. See “APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE, THE LOAN AGREEMENT AND THE TAX REGULATORY AGREEMENT.”

Additional restrictions on rent and occupancy are imposed on the Project pursuant to the FHA Regulatory Agreement.

PRIVATE PARTICIPANTS

The Borrower

The Borrower is Arc Light Co Affordable, LP, a limited partnership (the “Borrower”), organized and existing under the laws of the State of California, formed for the sole purpose of developing and owning the Project. The mailing address of the Borrower is 14 Mint Plaza, Fifth Floor, San Francisco, CA 94103.

Urban Preservation Foundation, a California nonprofit corporation (the “Managing General Partner”) will be the managing general partner of the Borrower with a 0.001% partnership interest. The Managing General Partner was formed in July 9, 1999 and has the general responsibility for supervising the operations of the Borrower. 178 Townsend Properties, LLC (the “Co-General Partner”) will be the co-general partner of the Borrower with a 0.009% partnership interest. Patrick M. McNerney, an individual (the “Tax Credit Investor”), will be the limited partner of the Borrower and will have a 100% membership interest in the Managing Member and a 99.99% partnership interest in the Borrower.

Arc Light Co received an Infill Infrastructure Grant in the amount of \$3,561,360. This grant is administered by the California Department of Housing and Community Development. The grant will go

towards infrastructure for the project. The grant originally came from Proposition 1C funds, a program that was created to assist development in urban infill areas to encourage the reuse of existing sites and to encourage growth in the urban core.

The Borrower, as a limited partnership, is composed of the Managing General Partner, Co-General Partner and one or more limited partners. A limited partner or general partner may assign a part of its economic interest in the Borrower to others. Each limited partner and assignee will be entitled to a share of the profits, losses, cash distributions, and return of capital relative to the interest acquired. The proceeds received from any limited partner or assignee of an economic interest will be used for partnership purposes, but see “RISK FACTORS – Adequacy of Revenues.”

The Managing General Partner and its affiliates may be reimbursed for expenses and be paid substantial fees by the Borrower for various services rendered and to be rendered to the Borrower, and they may engage in transactions with or participate in transactions by the Borrower.

As a condition to the HUD Commitment, the Borrower will provide cash and/or letters of credit to fund reserves for working capital. Such reserves are not part of the Trust Estate.

The Borrower is dependent upon the successful operation of the Project to meet its obligations under the Loan Agreement, the Note and the Mortgage. The obligations of the Borrower under the Note are limited obligations of the Borrower, payable solely from the income and assets of the Project and the revenue derived therefrom, and neither the Borrower nor any general or limited partner of the Borrower shall have any personal liability for the satisfaction of any obligations of the Borrower or any claim against the Borrower arising out of the Note. Except as otherwise provided in the Loan Agreement, the obligations of the Borrower under the Loan Agreement, the Note and the Mortgage are without recourse (subject to certain exceptions contained in the FHA Regulatory Agreement) to any property or assets of the Managing General Partner or any other partners, members or officers of the Borrower and neither the Managing General Partner or any other partners, members or officers of the Borrower are obligated to contribute or advance any monies toward the completion of the Project or the payment of the Borrower’s obligations under the Loan Agreement, the Note or the Mortgage.

The Bonds have been rated based upon the existence of the Ginnie Mae Certificates and not upon the financial strength of the Project or the Borrower. Nevertheless, should the Borrower experience financial difficulties, the Borrower could default on the Note. This could result in the mandatory redemption of the Bonds prior to maturity as described under the caption “THE BONDS – Redemption of the Bonds” herein.

None of the Borrower nor its partners are personally liable with respect to the Mortgage and the Note, the payments on which will provide substantially all of the moneys necessary to pay the principal of, and interest on, the Bonds.

The Developer

The developer of the Project is Martin Building Company (the “Developer”), located in San Francisco, California and founded in 1989. The principals of the Developer have many years of combined experience in developing multifamily residential housing, restaurants and historic renovations.

The principal of the Developer in charge of development will be Patrick McNerney. Mr. McNerney is responsible for the restoration and adaptive re-use of more than twenty historically significant buildings in San Francisco. As owner and president of the Developer, he has provided oversight for all of the Developer’s architectural operations. Mr. McNerney is a graduate of California

Polytechnic State University, San Luis Obispo. Mr. McNerney holds a limited partnership interest in the Borrower as the Tax Credit Investor.

The Manager

The property manager for the Project will be The John Stewart Company (the “Manager”). The Manager operates a full service management company and currently manages approximately 20,000 units of affordable housing in California. In addition, certain of the Manager’s principals own and operate, or through various other entities, are in the process of developing multifamily housing throughout California.

The General Contractor

The General Contractor for the Project will be James E. Roberts – Obayashi Corporation, located in Danville, California (the “General Contractor”). The General Contractor, which became a corporation in March of 1978, is licensed to do business in California.

The General Contractor employs approximately 90 full time employees. The General Contractor has over 77 years of experience in the construction industry and offers a comprehensive range of services, with focus on the multi-family and tenant finish industries. The General Contractor works on many customer service type jobs which are both large and small and has completed, on average, around 5 to 10 projects a year, and presently has approximately \$53.4 million construction value of construction work under contract.

The Architect

The design and inspecting architect for the Project is HKS Architects of San Francisco, California (the “Architect”). The Architect is an architectural firm providing full services to a varied client base throughout the world. Founded in 1939, the firm has a current staff of 1,100. The senior principals of the Architect have over 90 years of combined experience in design and construction administration.

The Architect is licensed to do business in the State of California. The senior principals are NCARB certified and can receive registration in any State. The staff includes 700 registered architects, 1 chief financing officer, 150 intern architects, 80 interior designers, CADD technicians, 1 specification coordinator, 80 field inspectors and 60 administrative staff.

The duty of the inspecting architect is to review and inspect the construction of the Project in order to provide sufficient assurance to the Trustee as to the approximate value of the work in place and its compliance with the plans and specifications for the Project.

The Lender

CBRE HMF, Inc. (the “Lender”), is approved as a GNMA Issuer and FHA Mortgagee. The Lender is organized under the laws of the State of Delaware and is duly qualified and authorized to conduct business in accordance with the terms of its articles of incorporation and bylaws. The Lender will be the holder of the Mortgage Note and the Mortgage.

To be approved by GNMA to issue modified pass-through securities with respect to long-term mortgages on multifamily project, a GNMA issuer is required to have a net worth (based on audited financial statements) equal to at least \$500,000 plus 0.2 percent of any securities outstanding in excess of \$35,000,000.

The Trustee

Wells Fargo Bank, National Association will serve as Trustee under the Indenture. The Trustee is a national banking association organized under the laws of the United State of America.

Plan of Financing

The total cost of the Project is estimated by the Borrower to be \$38,138,538, not including interim sources or uses of funds or accrued interest on the Bonds.

Sources of Funds*

Bond Proceeds	\$32,462,900
Tax Credit Gap Funds (ARRA)	312,972
Solar Rebates and Tax Credits	483,000
Proposition 1C – Infill Grant	3,561,360
Borrower Equity	<u>781,206</u>
Total	<u>\$38,138,538</u>

Uses of Funds*

Prepayment of Existing Mortgages	\$5,900,000
Owner’s Direct Expenses	2,995,685
Architectural Services	<u>1,063,400</u>
Subtotal Construction Soft Costs	4,059,085
General Requirements	2,682,032
Structures	18,547,628
Land Improvements	<u>770,340</u>
Subtotal Construction Hard Costs	22,000,000
Development and Financing Costs	5,073,223
Deposits and Letter of Credit (Working Capital and Initial Operating Deficit)	<u>1,106,230</u>
Total	<u>\$38,138,538</u>

FHA will require the Borrower to fund Project costs not included in the amount of the Mortgage Loan and provide certain reserves through cash deposits with the Lender or letters of credit (see “THE PROJECT – Project Operating Budget” herein). Such reserves will be held by the Lender and will not be security for the Bonds.

Estimated Project Cost

Pursuant to applicable regulations, the maximum principal amount of the Note may not exceed 90% of the estimated replacement cost of the Project as determined by FHA at the time of issuing its Commitment. To the extent not previously incurred, the Borrower will provide its equity contribution to the Project by making a cash contribution. No assurance can be given, however, that actual costs will be consistent with FHA’s determination. If actual costs are lower, the Bonds could be redeemed as a result of a reduction in the amount of the Note at Final Endorsement for Mortgage Insurance. If, on the other hand, actual costs are higher, the Borrower could be required to seek additional financing to complete the Project. A failure to obtain such financing could cause the Borrower to default on the Note. See “RISK FACTORS – Rehabilitation” herein.

* Preliminary; subject to change.

Project Operating Budget

In issuing its commitment to insure the Note, FHA approved a projection of revenues and expenditures (on a cash basis) for the first twelve months of operation of the Project after the commencement of amortization of the Note that anticipated an excess of revenues over expenses. Such projection was based on information supplied to FHA by the Borrower. No representations are made that the projected revenues will be realized. Such operation projections were based on assumptions concerning future events and circumstances which may not materialize. In order to provide for possible variations, FHA requires the Borrower to provide at Initial Endorsement a reserve for cost of equipping and renting the Project subsequent to completion and to pay insurance premiums. If required, the Borrower will provide such reserve through a cash deposit or letters of credit to be held by the Lender for such purpose.

Management Agreement

The Borrower has entered into a Management Agreement to engage the Manager to manage the Project. Under the Management Agreement, the Manager will manage the day-to-day operations of the Project and will also provide certain management and marketing services to the Project.

RISK FACTORS

The Bonds are limited obligations of the Issuer payable solely from and secured by a pledge of the Trust Estate, as defined in the Indenture, and funds provided therefor under the Indenture and do not constitute an indebtedness of the Issuer, the Association of Bay Area Governments, any of their members, the State or any other political subdivision thereof within the meaning of the constitution and laws of the State. Neither the faith and credit of the Issuer, the Association of Bay Area Governments or any of their members nor the faith and credit nor the taxing power of the State or any other political subdivision thereof is pledged to the payment of the principal of, or premium (if any) or interest on the Bonds. None of the United States of America, the Secretary of Housing and Urban Development, the Federal Housing Commissioner, the Government National Mortgage Association, nor any other agency of the United States of America, shall in any event be liable for the payment of the principal of, or premium (if any) or interest on the Bonds or for the performance of any pledge, obligation or agreement of any kind whatsoever of the Issuer, and none of the Bonds or any of the Issuer's agreements or obligations shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever. Neither the Issuer nor the Association of Bay Area Governments has any taxing power.

Risk of Early Redemption

Prospective purchasers of the Bonds should consider carefully all possible factors which may cause the Bonds to be redeemed earlier than projected. They include the possibilities that: the Borrower may not achieve delivery of the initial Construction Loan Certificate or the Project Loan Certificate; the Borrower may elect to prepay the Note pursuant to its provisions; or the Note may be prepaid as a result of a condemnation award or an insurance recovery or in the event of a default under the Mortgage (as a result of the inability to complete the Project with the resources available therefor or the inability to operate the Project successfully) from the proceeds of the Mortgage Insurance; or that there is an FHA required mortgage reduction as a result of cost certification.

Loss of Premium from 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 the Project Loan Certificate is not delivered by the date required under the Indenture (as such date may be extended pursuant to the Indenture) or is delivered in a principal amount less than \$32,462,900 (for reasons other than receipt by the Lender of regularly scheduled principal amortization payments) or in the event that the Note is prepaid as a result of a casualty or condemnation award payments affecting the project or there is a default under the Mortgage. See “THE BONDS – Redemption of the Bonds – Extraordinary Mandatory Redemption.”

Construction

Construction of the Project has not yet commenced. The Borrower has made arrangements which it anticipates will be sufficient to assure the construction, improving and equipping of the Project within 18 months of the initial closing of the Mortgage Loan, the required completion date specified in the construction contract. It is estimated that final endorsement of the Note will be obtained within approximately six months after completion of construction. No assurance can be given, however, that the arrangements made by the Borrower are sufficient and that these steps will be completed prior to that date. If the Note is not finally endorsed by HUD and the Project Loan Certificate is not delivered to the Trustee on or before the Delivery Date, all or a portion of the Bonds must be called for redemption (unless such date is extended). See “THE BONDS – Redemption of the Bonds – Extraordinary Mandatory Redemption.” The anticipated date, as reflected in this Official Statement, for completion of construction of the Project and Final Endorsement by HUD may be subject to various delays, including delays in construction, whether or not occasioned by default, and delays in cost certification and in HUD’s processing thereof and/or delays resulting from disputes between the Borrower and the General Contractor.

Any changes in the plans and specifications for the construction of the Project must be approved by FHA and any increase in costs resulting from a change must be funded by the Borrower unless and until such increased costs result in a mortgage increase. The Issuer is under no obligation to issue any additional bonds to fund mortgage increases.

If actual costs to construct and equip the Project are less than projected, a portion of the Bonds might be redeemed as a result of a reduction in the principal amount of the Note at Final Endorsement. If actual costs are higher than projected, the Borrower could be required to seek additional financing to complete the Project, and a failure to obtain such financing could cause the Borrower to default on the Note resulting in the redemption of the Bonds. See “THE PROJECT – Estimated Project Costs” herein.

Issuance of Ginnie Mae Certificates

It is anticipated that the Trustee will acquire the Project Loan Certificate on or before November 30, 2012, as such acquisition date may be extended pursuant to the terms of the Indenture. The purchase of the Project Loan Certificate is subject to the following conditions, among others: (a) the submission by the Lender to Ginnie Mae of certain documents required by Ginnie Mae in form and substance satisfactory to Ginnie Mae, (b) the Lender’s continued compliance, on the date of issuance of the Project Loan Certificate, with all of Ginnie Mae’s eligibility requirements, specifically including, but not limited to, certain net worth requirements, (c) the Lender’s continued ability to issue and deliver the Project Loan Certificate, as such ability may be affected by the Lender’s bankruptcy, insolvency or reorganization, and

(d) final endorsement of the Note for insurance by FHA (which, in turn, is dependent upon a number of factors such as lien-free completion of construction of the Project, HUD approval of the Borrower's cost certification and payment by the Borrower of amounts due in connection with the Project). In the event that the Project Loan Certificate is not issued as a result of a failure of any of the conditions listed above, the Bonds will be subject to early redemption in whole or in part as discussed under "THE BONDS—Redemption of the Bonds—Extraordinary Mandatory Redemption."

Adequacy of Revenues

The primary security for the Bonds is the Ginnie Mae Certificates. None of the Issuer, the Trustee or the Underwriter has made any independent evaluations of the Borrower's revenues, and no representations are made as to the adequacy of such revenues to maintain the Project and to make payments required under the Loan Agreement. Furthermore, the terms of the Loan Agreement prohibit the Bondowners or the Trustee from exercising any right that the Borrower or its general partner may have under the Borrower's partnership agreement or otherwise to require any limited partner of the Borrower to make any additional contributions to the Borrower beyond such partner's existing capital contribution as of the date of the issuance of the Bonds.

Failure to Maintain Occupancy

The economic feasibility of the Project and its ability to provide revenues to the Borrower to make payments on the Note depend in large part upon its being substantially occupied. Occupancy of the Project may be affected by competition from existing competing facilities or from competing facilities which may be constructed in the area served by the Project, including new facilities which the Borrower, or its affiliates, may construct. Circumstances may occur, including but not limited to, insufficient demand for low income housing in the Project's location, decreases in the population, deterioration of the structure and living facilities, and construction of competing projects for low income individuals or other more attractive living accommodations, which could increase the rate of vacancy.

Loss of Exclusion of Interest from Federal Gross Income

The exclusion of interest on the Bonds from gross income for federal income tax purposes is dependent upon continuing compliance by the Borrower with certain requirements of the Code; however, the enforcement remedies available to the Issuer and the Trustee are severely limited and may be inadequate to prevent the loss of the exclusion of interest on the Bonds from federal gross income retroactive to the date of issuance of the Bonds. (See "TAX MATTERS" herein). Under current FHA regulations, such an occurrence will not constitute a default under the Mortgage Loan, and HUD has required that the provisions of the Indenture, the Loan Agreement and the Tax Regulatory Agreement are subordinate to the Mortgage (see "SUBORDINATION TO MORTGAGE LOAN DOCUMENTS AND FHA REQUIREMENTS" herein.) Because the Mortgage Loan cannot be accelerated for this reason, no payments of principal in such event shall be passed through the Ginnie Mae Certificates. Thus the Bonds cannot be redeemed in such event and could continue to remain outstanding with interest on the Bonds becoming includable in gross income for federal income tax purposes, in some cases retroactively to the date of issuance of the Bonds. Furthermore, the Borrower or the Lender may be required or permitted by the HUD Requirements to take or refrain from taking actions which could cause the interest on the Bonds to become subject to inclusion in gross income for federal income tax purposes. THERE IS NO PROVISION IN THE BONDS OR THE INDENTURE FOR AN ACCELERATION OF THE BONDS OR PAYMENT OF ADDITIONAL INTEREST OR PENALTIES IN THE EVENT INTEREST ON THE BONDS IS DECLARED OR BECOMES TAXABLE, AND NEITHER THE ISSUER NOR THE BORROWER SHALL BE LIABLE FOR ANY SUCH PAYMENT OF ADDITIONAL INTEREST OR

PENALTIES WHATSOEVER. The Holders' remedy, if any, will be limited to legal action against the Borrower. Any such claims against the Borrower are limited by applicable FHA requirements.

In the event that interest on the Bonds should become subject to federal income taxation, the market for and value of the Bonds may be adversely affected.

Moreover, there can be no assurance that the present provisions of the Code, or the rules and regulations thereunder, will not be prospectively or retroactively adversely amended or modified, thereby resulting in the inclusion in gross income of the interest on the Bonds for federal income tax purposes or otherwise eliminating or reducing the benefits of the present advantageous tax treatment of the Bonds. While no such legislation has been formally proposed or adopted, there can be no assurance that Congress would not adopt legislation applicable to the Bonds or to the Borrower and that the Project would be able to comply with any such future legislation in a manner necessary to maintain the federal tax treatment of the Bonds. Subject to applicable HUD requirements, the Borrower is required under the Loan Agreement to use its best efforts to comply with any Federal income tax law requirements in order to maintain the tax-exempt status of the Bonds to the extent that any such other requirements are made applicable to the Project. There is no assurance, however, that the Borrower would be able to comply with any such other requirements.

Estimated Project Expenses; Management

The success of the Project depends upon economic conditions, successful management of the Project and other factors. Furthermore, should management of the Project in the future prove to be inefficient, increases in operating expenses might exceed increases in rents which can be supported by market conditions. The economic feasibility of the Project also depends to a large extent on operating expenses. No assurances can be given that moneys available to the Borrower from operation of the Project will be sufficient to make the required payments on the Note.

Information Not Verified

Information with regard to the Project has been obtained from the Borrower and its affiliates. Much of that information involves predictions with regard to future events, such as the time required to complete the construction of the Project and the future operating expenses of the Project; such information is, by its nature, not subject to verification. Aside from the analyses made by FHA in determining to insure the Mortgage Loan, no feasibility study or other independent verification of the Project has been undertaken.

Investment Earnings

The possible investment earnings on the proceeds from the sale of the Bonds and other amounts received and held by the Trustee which have been estimated herein are based on assumed interest rates. While these assumptions are believed to be reasonable in view of the interest rates presently and previously available on the types of securities in which the Trustee is permitted to invest under the Indenture, there can be no assurance that similar interest rates will be available on such securities in the future.

Risk of Loss from Nonpresentment Upon Redemption

The rights of holders of Bonds to receive interest will terminate on the date, if any, on which the Bonds are to be redeemed pursuant to a call for redemption, notice of which has been given under the terms of the Indenture. See "THE BONDS - Redemption of the Bonds - Notice of Redemption."

Enforceability of Remedies

The realization of any rights upon a default will depend upon the exercise of various remedies specified in the Indenture. Any attempt by the Trustee to enforce such remedies may require judicial action, which is often subject to discretion and delay. Under existing law, certain of the legal and equitable remedies specified in the Indenture may not be readily available.

The remedies available to the Trustee and the Holders of the Bonds upon an event of default under the Loan Agreement or the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under the Loan Agreement or the Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds and the Loan Agreement and Bond Purchase Agreement 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.

Secondary Market and Prices

The Underwriter will not be obligated to repurchase any of the Bonds and no representation is made concerning the existence of any secondary market therefor, nor can any assurance be given that any secondary market will develop following the completion of the offering of the Bonds, and no assurance can be given that initial offering prices for the Bonds will continue for any period of time. Any prospective purchaser of the Bonds, therefore, should undertake an independent investigation through its own advisors regarding the desirability and practicability of the investment in the Bonds. Any prospective purchaser should be fully aware of the long term nature of an investment in the Bonds and should assume that it will have to bear the economic risk of its investment indefinitely. Any prospective purchaser of the Bonds that does not intend or that is not able to hold the Bonds for a substantial period of time is advised against investing in the Bonds.

Nonrecourse Obligation

The Borrower's obligations under the Loan Agreement and the Mortgage Loan documents, including the Mortgage and the Note, are strictly nonrecourse obligations. The Borrower has no obligation to fund operating deficits, to cover any losses in the event of a default on the Bonds or otherwise to invest its own funds in the Project or to continue the Project in operation.

SUMMARY OF THE NOTE AND MORTGAGE

This summary and explanation of the Note and Mortgage does not purport to be comprehensive and is qualified in its entirety by reference to the Note and Mortgage for full and complete statements of their provisions.

The Mortgage from the Borrower to the Lender secures the Note. The Mortgage Loan proceeds will be disbursed by the Lender in accordance with the progress of construction and the Lender will be reimbursed for the advances upon the purchase of the initial Construction Loan Certificate, subsequent Construction Loan Certificates and the Final Endorsement Construction Loan Certificate by the Trustee. The Mortgage Loan disbursements will be insured by FHA as construction progresses under Section 221(d)(4) of the National Housing Act, as amended, and the regulations thereunder. Upon the issuance of Construction Loan Certificates, the Lender will make payments thereon which may differ from the Note payments. Upon the purchase of the Project Loan Certificate from the Lender by the Trustee or its

nominee, on behalf of the Issuer, monthly scheduled installments of principal and interest on the Note (less the Ginnie Mae guaranty fee and the Lender's servicing fee) will be passed through to the Trustee as scheduled payments of principal and interest on the Project Loan Certificate.

It is expected that the Mortgage Loan, as evidenced by the Note and Mortgage, (i) will be insured by FHA pursuant to and in accordance with the provisions of Section 221(d)(4) of the National Housing Act and applicable regulations thereunder, as evidenced by the initial endorsement by FHA of the Note evidencing the Mortgage Loan; (ii) will be in the maximum principal amount of \$32,462,900, which is subject to being reduced, without penalty, upon final endorsement of the Mortgage Loan for Mortgage Insurance by FHA; (iii) will bear interest at the rate of 5.07% per annum; (iv) will have a final maturity of March 1, 2052; (v) will be payable in equal monthly installments of principal and interest, commencing on April 1, 2012; (vi) will be secured on a nonrecourse basis; and (vii) will not be subject to prepayment prior to April 30, 2017 without the consent of the holder of the Note except that (A) the Note will be subject to mandatory prepayment in whole or in part at any time without premium or penalty, from the proceeds of any casualty insurance or condemnation awards received following a partial or total destruction or condemnation of the Project, in the event and to the extent that such casualty proceeds or condemnation awards are not applied to the repair or restoration of the Project in accordance with the Mortgage Loan Documents; (B) the Note will be subject to prepayment in whole or in part on the last business day of any month at the option of the Borrower, on and after April 30, 2017, upon at least 30 days advance written notice to the Lender, together with the applicable premium plus accrued interest through the last day of the month in which prepayment occurs; (C) the Note will be subject to partial prepayment to the extent required by FHA based upon any cost certification or other report required to be provided to FHA; and (D) the Note will be subject to mandatory prepayment in whole or in part without the consent of the mortgagee and without prepayment penalty if HUD determines that prepayment will avoid an FHA insurance claim and therefore is in the best interest of the Federal government. In the event of a partial prepayment described in subparagraph (A), (B), (C) or (D) above, the Note may be reamortized to reflect its reduced principal amount.

If the Borrower makes any such prepayment on the Note, the amount prepaid will be paid to the Lender and passed through to the Trustee, or its nominee, as prepayment on the Ginnie Mae Certificates, and applied to the redemption of Bonds, as described under "GINNIE MAE MORTGAGE-BACKED SECURITIES PROGRAM."

The debt evidenced by the Note and Mortgage is a nonrecourse obligation of the Borrower secured only by the Project.

SUBORDINATION TO MORTGAGE LOAN DOCUMENTS AND FHA REQUIREMENTS

The Indenture, the Loan Agreement and the Tax Regulatory Agreement (the "Bond Financing Documents") provide that, notwithstanding anything in such documents to the contrary, the Bond Financing Documents will be subordinate to the Mortgage Loan Documents. The provisions of the Bond Financing Documents are subject to the National Housing Act, all applicable FHA mortgage insurance regulations and related administrative requirements, the related HUD/FHA loan documents, all applicable Ginnie Mae regulations and related administrative requirements and the Ginnie Mae documents (collectively the "HUD Requirements"). In the event of any conflict between the provisions of the Bond Financing Documents and the HUD Requirements, the HUD Requirements will control, with priority to the HUD/FHA loan documents. Enforcement of the Bond Financing Documents will not result in any claim against the Project, the Mortgage proceeds, any reserve or deposit required by HUD in connection with the Mortgage, or the rents or other income from the Project (except "surplus cash," as defined in the FHA Regulatory Agreement). No assurance can be made that such provision will not impair the excludability of interest on the Bonds from gross income for federal income tax purposes.

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 has entered into the Continuing Disclosure Agreement with the Trustee, as dissemination agent, obligating the Borrower to send, or cause to be sent, certain financial information with respect to the Project to certain information repositories annually and to provide notice, or cause notice to be provided, to the Municipal Securities Rulemaking Board and a state information repository, if any, upon the occurrence of certain enumerated events for the benefit of the Beneficial Owners and Holders of any of the Bonds, pursuant to the requirements of Section (b)(5)(i) of the Rule. See “APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT” attached hereto. The Borrower has not entered into any other such undertaking with respect to the Rule.

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

TAX MATTERS

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

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

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

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

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

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

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

LEGAL MATTERS

All legal matters incident to the authorization, issuance, sale and delivery of the Bonds by the Issuer to the Underwriter are subject to the approval of legality by Orrick, Herrington & Sutcliffe, LLP, San Francisco, California, as Bond Counsel. A copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto. Certain legal matters will be passed upon for the Issuer by Chapman and Cutler LLP; for the Lender by Levy, Levy & Levy; for the Borrower by Pillsbury Winthrop Shaw Pittman LLP, San Francisco, California; and for the Underwriter by Eichner & Norris PLLC, Washington, D.C.

LITIGATION

Issuer

At the time of sale and delivery of the Bonds, the Issuer will deliver a certificate to the effect that there is no litigation or proceedings pending or, to the best of its knowledge, threatened seeking to enjoin the issuance, execution, or delivery of the Bonds, or in any way contesting or affecting any authority for the issuance, execution, or delivery of the Bonds, or the validity of the Bonds, or seeking to restrain or enjoin the transaction or questioning the validity of the transaction, or contesting the existence or powers of the Issuer with respect to this transaction.

Borrower

At the time of sale and delivery of the Bonds, the Borrower will deliver a certificate to the effect that there is no litigation or proceedings pending or, to the best of its knowledge, threatened seeking to enjoin the Borrower's execution or delivery of the Loan Agreement, the Mortgage, the Note or the FHA Regulatory Agreement, or seeking to restrain or enjoin the Borrower's participation in the transaction or contesting the existence or powers of the Borrower with respect to this transaction, or which in the aggregate could have a material adverse effect on the financial condition or the operations of the Borrower.

UNDERWRITING

The Underwriter has agreed to purchase the Bonds from the Issuer at the prices set forth on the inside cover page hereof, plus accrued interest. The Borrower shall pay to the Underwriter on the Closing Date (i) a fee in the amount of \$152,750, from which the Underwriter will pay certain expenses aggregating \$20,750. In addition, the Underwriter will receive a payment from the Borrower in the amount of \$192,000 to reimburse the Underwriter for initial deposits made by the Underwriter under the Indenture. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds if they are issued, the obligation to make such purchase being subject to certain terms and conditions set forth therein, the approval of certain legal matters by counsel, and certain other information. The Underwriter intends to offer the Bonds initially at the offering price shown on the cover page hereof, which price may subsequently change without requirement of prior notice. The Underwriter reserves the right to join with other dealers and underwriter in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers at prices lower than the public offering prices.

RATING

Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, has given the Bonds the rating set forth on the cover page hereof. The rating reflects only the views of the rating agency, and an explanation of the significance of such rating may be obtained from it. No assurance can be given that the rating will be maintained for any given period of time or that the rating may not be

revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The Underwriter and the Issuer have undertaken no responsibility after issuance of the Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

OTHER MATTERS

The foregoing summaries and explanations do not purport to be comprehensive and are expressly made subject to the exact provisions of documents referred to herein. Copies of the Indenture, the Loan Agreement and the Tax Regulatory Agreement may be obtained from the Trustee or the Underwriter. 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 among the Issuer, the Borrower or the Underwriter and the purchasers or Holders of any Bonds.

This Official Statement has been approved by the Issuer and the Borrower for distribution by the Underwriter to prospective purchasers of the Bonds.

The execution and delivery of this Official Statement have been duly authorized and approved by the Issuer and Borrower.

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS, as Issuer

By: _____

Secretary

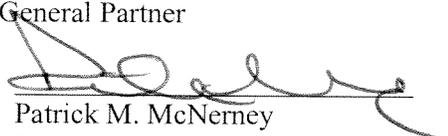
[Signatures continued on next page]

[Counterpart signature page to Official Statement]

ARC LIGHT CO. AFFORDABLE, LP,
a California limited partnership

By: 178 Townsend Properties, LLC,
a California limited liability company,
its Co-General Partner

By:


Patrick M. McNerney
Manager

By: Urban Preservation Foundation,
a California nonprofit public benefit corporation,
its Managing General Partner

By:


Patrick M. McNerney
President

APPENDIX A

CERTAIN DEFINITIONS

Unless the context clearly requires otherwise, the terms defined in the Indenture as described in this Appendix A shall apply for all purposes of this Official Statement, the Indenture, the Loan Agreement, the Tax Regulatory Agreement and each other document delivered pursuant to the Indenture.

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

“Act of Bankruptcy” means actual notice received by the Trustee that the Borrower has become insolvent or has failed to pay its debts generally as such debts become due or has admitted in writing its inability to pay any of its indebtedness or has consented to or has petitioned or applied to any court or other legal authority for the appointment of a receiver, liquidator, trustee or similar official for itself or for all or any substantial part of its properties or assets or that any such trustee, receiver, liquidator or similar official has been appointed or that insolvency, reorganization or liquidation proceedings (or similar proceedings) have been instituted by or against the Borrower.

“Additional Administrative Fees” means, collectively or each respectively, as applicable in the context used, that portion, if any, of the Issuer Fees, the Trustee Fees, the Rebate Analyst Fees and the Dissemination Agent Fees, each respectively, that is not payable from amounts received by the Trustee under the Ginnie Mae Certificates, including, without limitation, all Extraordinary Issuer Fees and Expenses and all Extraordinary Trustee Fees and Expenses, which amounts nonetheless shall be payable by the Borrower to the respective payee under the Loan Agreement, and in addition shall include the amount by which any of such Administrative Fees are reduced as a result of any unscheduled prepayment of the principal amount of the Ginnie Mae Certificates.

“Administrative Fees” means, collectively, the Issuer Fees, the Trustee Fees, the Dissemination Agent Fees and the Rebate Analyst Fees.

“Authorized Denomination” means \$5,000 or any integral multiple of \$100 in excess thereof.

“Authorized Representative” means, with respect to the Trustee, any trust officer or authorized agent thereof; with respect to the Issuer, initially, the President, the Secretary or the Chief Financial Officer of the Issuer or any other officer or employee of the Issuer designated by certificate filed with the Trustee as authorized by the Issuer to perform a specified act or sign a specified document; with respect to the Lender, the President or any Vice President thereof; and with respect to the Borrower, the Manager of the Co-General Partner or the President of the Managing General Partner, as designated by a certificate of the Borrower filed with the Issuer and the Trustee.

“Available Money” means proceeds of the Bonds, the proceeds of any Letter of Credit, any payments or prepayments of principal or interest on a Ginnie Mae Certificate, and any payments made by the Borrower and held by the Trustee for a period of 366 days, provided that no Act of Bankruptcy has occurred during such period, or any money with respect to which the Trustee has received an opinion of nationally recognized bankruptcy counsel to the effect that the use by the Trustee of such money in accordance with the Indenture would not constitute an avoidable preference or be subject to the automatic stay provisions of Sections 547 and 362(a), respectively, of the United States Bankruptcy Code or similar laws of the United States of America or the State in the event a petition in bankruptcy is filed by or against the entity depositing such money.

“Bond” or “Bonds” means the Issuer’s Multifamily Housing Revenue Bonds (Ginnie Mae Collateralized Mortgage Loan – Arc Light Co) 2010 Series A, in the aggregate principal amount of \$32,462,900, authorized to be issued under, or any replacement thereof authorized by, and at any time outstanding pursuant to, the Indenture.

“Bond Counsel” means Orrick, Herrington & Sutcliffe, LLP, San Francisco, California, or any successor firm of nationally recognized bond counsel, duly admitted to practice law before the highest court of any state and designated by the Issuer as its Bond Counsel for the Bonds.

“Bond Fund” means the Bond Fund established pursuant to the Indenture.

“Bond Proceeds Account” means the Bond Proceeds Account within the Construction Fund established pursuant to the Indenture.

“Bond Purchase Agreement” means the Bond Purchase Agreement among the Issuer, the Borrower, the AFL-CIO Housing Investment Trust, as Bond Purchaser, and the Underwriter with respect to the Bonds.

“Bond Register” means the books for registration of the Bonds kept for the Issuer by the Bond Registrar as provided in the Indenture.

“Bond Registrar” means the paying agent and bond registrar for the Bonds, initially the Trustee, having a corporate trust office located in San Francisco, California (or such other office as may be designated by the Trustee), which will be utilized to perform payments and transfers.

“Bond Resolution” means the bond resolution adopted by the Issuer on May 5, 2010, authorizing the issuance of the Bonds, approving the terms of the Bonds and approving the documents related thereto.

“Bond Year” means, as to the first Bond Year, the period from the Closing Date to and including July 19, 2011, and thereafter, the annual period ending on July 19 of each year.

“Bondowner” or “Owner” means the registered owner of any Bond.

“Borrower” means Arc Light Co Affordable, LP, a California limited partnership, and its successors or assigns.

“Building Loan Agreement” means the Building Loan Agreement dated the Mortgage Loan Dated Date, between the Borrower and the Lender, as amended from time to time in accordance with terms thereof.

“Business Day” means any day, other than a Saturday or a Sunday, on which banking institutions are open in the State of California, the State of New York and in the states in which the Principal Office of the Trustee and the office of the Bond Registrar designated from time to time by the Bond Registrar for the transfer or exchange of Bonds are located.

“Carryover Amount” means, as of any Payment Date, the applicable dollar amount of the cash flow carryover requirement set forth as the scheduled minimum Bond Fund balance for such Payment Date, which is attached to the Indenture as an Exhibit.

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

“Closing Date” means the date the Bonds are issued, which is August 17, 2010.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute, and all applicable Income Tax Regulations promulgated thereunder.

“Completion Date” means the final completion of construction of the Project as evidenced by the final payment to the General Contractor under the Construction Contract for all punch list items and all amounts payable thereunder (except any retainage or fees to be withheld until Final Endorsement of the Mortgage Note by HUD).

“Construction Contract” means the construction contract between the Borrower and the General Contractor, providing for the construction of the Project.

“Construction Fund” means the Construction Fund established by the Indenture.

“Construction Loan Certificate” means any Ginnie Mae Certificate, other than the Project Loan Certificate, which represents an amount of proceeds of the Mortgage Loan advanced by the Lender to the Borrower.

“Construction Loan Certificate Maturity Date” means August 15, 2013, or such later date as may be permitted by the provisions of the Indenture.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of August 1, 2010, between the Borrower and the Dissemination Agent, as amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all expenses of issuing the Bonds or the Indenture, including but not limited to legal, financial, advisory and printing expenses, the initial fees of the Trustee (including reasonable fees and expenses of counsel to the Trustee) under the Indenture, the Issuer’s expenses (including fees and expenses of counsel to the Issuer), reasonable fees and expenses of Bond Counsel, the rating agency fees, any Underwriter’s discount or fee for the Bonds or placement fee for the Bonds, and any and all other similar out-of-pocket expenses incurred for the purpose of issuing the Bonds.

“Costs of Issuance Fund” means the Costs of Issuance Fund established pursuant to the Indenture.

“County” means the City and County of San Francisco, California.

“Delivery Date” means the earlier of (a) November 30, 2012, as such date may be extended in accordance with the Indenture or (b) the date the Project Loan Certificate is delivered to the Trustee.

“Dissemination Agent” means the dissemination agent retained by the Borrower to serve under the Continuing Disclosure Agreement, which initially is Wells Fargo Bank, National Association.

“Dissemination Agent Fees” means the annual fee of \$500 payable in arrears to the Dissemination Agent in equal semi-annual installments on each February 20 and August 20, commencing February 20, 2011 (which installment will be pro-rated), as a component of the Administrative Fees payable pursuant to the Loan Agreement as compensation for the Dissemination Agent’s services and expenses in performing its obligations under the Continuing Disclosure Agreement; provided, however, in the event of any unscheduled prepayment of the principal amount of the Ginnie Mae Certificates (other than prepayments in accordance with the scheduled amortization of the Mortgage Loan) the amount of such fees payable from moneys withdrawn from the Bond Fund pursuant to the Indenture will be reduced

by the same fraction that the monthly payment on the Ginnie Mae Certificate is reduced; provided further, however, in consideration of the Dissemination Agent agreeing to the aforesaid fee reduction, the Borrower has agreed to pay the amount of any such fee reduction promptly upon receipt of an invoice therefor.

“Draw Down Date” means any date in which the Underwriter deposits, or causes to be deposited on its behalf, Bond proceeds in an amount equal to the par amount of additional Bonds drawn down under the Indenture plus accrued interest, to be deposited as set forth in the Indenture. The Underwriter shall provide the Trustee with written confirmation of the amounts deposited on each Draw Down Date. All Bonds purchased by the Underwriter on a Draw Down Date shall be purchased by the Underwriter at a price of par, plus accrued interest.

“DTC” means The Depository Trust Company, New York, New York.

“Event of Default” means, with respect to the Indenture, any of the events enumerated and so designated in the Indenture and, with respect to the Loan Agreement, any of the events enumerated in the Loan Agreement.

“Extension Payment” means any combination of (i) Available Money, (ii) one or more Letters of Credit, if any, or (iii) an unconditional and irrevocable commitment from a solvent commercial bank whose unsecured short-term debt is rated at least “A-1+” by the Rating Agency to make a cash payment to the Trustee on a specified date (which date shall be within one year of the date of the commitment).

“Extraordinary Issuer Fees and Expenses” means all of those fees, expenses and disbursements payable to the Issuer for Extraordinary Services and Extraordinary Expenses incurred in connection with the Financing Documents, including without limitation fees, costs and expenses incurred by Bond Counsel and Issuer’s Counsel, which are to be paid by the Borrower pursuant to the Loan Agreement.

“Extraordinary Services” and “Extraordinary Expenses” means and include, but not by way of limitation, services, actions and things carried out and all expenses incurred by the Trustee or the Issuer upon the occurrence of an unscheduled event impacting the applicable party or parties performance under any of the Financing Documents, or in connection with or to prevent default or subsequent to a default under the Indenture, the other Financing Documents or the Mortgage Loan Documents, including any attorneys’ fees actually incurred and other litigation costs, or other actions taken required in connection with the Financing Documents, but which are not expressly set forth in the Financing Documents, and costs associated with printing of replacement Bonds.

“Extraordinary Trustee Fees and Expenses” means (a) all those fees, expenses and disbursements payable to the Trustee under the Indenture for Extraordinary Services and Extraordinary Expenses incurred under the Financing Documents, which are to be paid by the Borrower pursuant to the Loan Agreement and (b) the amount of any reduction in the Trustee’s Ordinary Fees pursuant to the proviso contained in the definition of Trustee’s Ordinary Fees.

“FHA” means the Federal Housing Administration of HUD or any successor entity and any authorized representatives or agents thereof, including the Secretary of HUD, the Federal Housing Commissioner and their representatives or agents.

“FHA Insurance” means the insurance of the Mortgage Note by FHA pursuant to Section 221(d)(4) of the National Housing Act.

“Final Endorsement” means the final endorsement of the Mortgage Note by FHA for FHA Insurance.

“Final Endorsement Advance” means the advance, if any, of Mortgage Loan proceeds made by the Lender in connection with Final Endorsement.

“Final Endorsement Construction Loan Certificate” means the Construction Loan Certificate, if any, related to the Final Endorsement Advance.

“Final Project Loan Certificate Amount” means the principal amount of the Mortgage Loan, as determined by FHA at the time of Final Endorsement, reduced by: (a) all regularly scheduled payments of principal of the Mortgage Loan due on or before the date of the Project Loan Certificate and (b) all unscheduled payments of principal of the Mortgage Loan received by the Lender prior to the date of the Project Loan Certificate.

“Financing Documents” means the Loan Agreement, the Indenture, the Bonds, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Tax Regulatory Agreement and any other agreement or document executed in connection with the Bonds, together with all modifications, extensions, renewals and replacements thereof, but excluding the Ginnie Mae Documents and the Mortgage Loan Documents.

“General Contractor” means James E. Roberts-Obayashi Corp., the general contractor retained by the Borrower for the construction of the Project, and any successor thereto in such capacity.

“Ginnie Mae” means the Government National Mortgage Association, an organizational unit within HUD, or any successor entity and any authorized representatives or agents thereof, including the Secretary of HUD and his representatives or agents.

“Ginnie Mae Certificate” means a Construction Loan Certificate or the Project Loan Certificate, as the case may be, each being a mortgage-backed security issued by the Lender and guaranteed as to timely payment of interest, in the case of a Construction Loan Certificate, or of principal and interest, in the case of the Project Loan Certificate, by Ginnie Mae pursuant to the National Housing Act, as amended, and the regulations promulgated thereunder and backed by the Mortgage Loan.

“Ginnie Mae Delivery Date” means any date the Lender delivers, or causes to be delivered, to the Trustee (i) a Construction Loan Certificate in a principal amount equal to the deposit of Bond proceeds made in connection with a corresponding Draw Down date or (ii) a Project Loan Certificate in a principal amount which exceeds the difference between 100% of the aggregate principal amount of all Construction Loan Certificates previously delivered to the Trustee, which difference will equal the deposit of Bond proceeds made in connection with a corresponding final Draw Down Date.

“Ginnie Mae Depository” means any securities depository for recording in book entry form ownership interests in Ginnie Mae Certificates, initially the Federal Reserve Bank of New York.

“Ginnie Mae Documents” means the commitments issued by Ginnie Mae to the Lender to guarantee the Ginnie Mae Certificates and all other documents, certifications and assurances executed and delivered by the Lender, Ginnie Mae or the Borrower in connection with the Ginnie Mae Certificates.

“Ginnie Mae Requirements” means all applicable published regulations and requirements of general application of Ginnie Mae.

“Government Obligations” means bonds or other obligations of the United States of America or any subsidiary corporations of the United States government fully guaranteed by such government.

“HUD” means the United States Department of Housing and Urban Development.

“HUD Override Provisions” means, collectively, the provisions set forth in the Indenture, the Loan Agreement and the Tax Regulatory Agreement, which provisions in the Indenture are described in Appendix B to this Official Statement.

“HUD Regulatory Agreement” means the Regulatory Agreement between the Borrower and HUD with respect to the Project, as the same may be amended or modified from time to time in accordance with its terms.

“HUD Requirements” means, collectively, all applicable provisions and requirements set forth in (a) the National Housing Act, (b) the United States Housing Act of 1937, as amended, and/or (c) HUD regulations and HUD rules, handbooks, guides, notices and other similar administrative requirements with respect to HUD mortgage insurance (and Section 8 of the United States Housing Act of 1937, as amended, if applicable).

“Income Tax Regulations” means any applicable final, proposed or temporary regulations and revenue rulings under the Code. References to a section of the Income Tax Regulations shall be deemed to include any analogous section of revised or successor regulations.

“Indenture” means the Trust Indenture, dated as of August 1, 2010, between the Issuer and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

“Information Services” means Financial Information, Inc.’s Daily Called Bond Service, 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Service’s Called Bond Service, 65 Broadway, 16th Floor, New York, New York 10006; Moody’s Investors Service Municipal and Government, 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and Standard and Poor’s Ratings Services Called Bond Record, 55 Water Street, New York, New York 10041; or, in accordance with then current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other services providing information with respect to called bonds, or, as the Issuer may designate in a request of the Issuer delivered to the Trustee, to no such services.

“Initial Advance” means the first advance of Mortgage Loan proceeds made by the Lender.

“Initial Construction Loan Certificate” means the Construction Loan Certificate backed by the first advance under the Mortgage Loan issued by the Lender to the Trustee or its nominee, in an amount not less than \$7,863,472.

“Initial Construction Loan Certificate Delivery Date” means September 30, 2010, or such later date as may be established pursuant to the Indenture.

“Initial Endorsement” means the initial endorsement of the Mortgage Note by FHA for FHA Insurance.

“Initial Equity Deposit” means the funds paid by the Tax Credit Investor on the Closing Date as its initial equity investment in the Borrower.

“Investment Agreement” means any investment agreement or similar investment instrument entered into by the Trustee at the written direction of the Borrower and approved by the Rating Agency (as evidenced by the Trustee’s receipt of the rating confirmation required by the Indenture), as the same may be amended from time to time in accordance with its terms, with the rating confirmation required by the Indenture and with the prior written consent of the Borrower providing for investment of moneys in the Bond Fund and/or the Construction Fund, with or guaranteed by an entity whose unsecured long term debt obligations are rated by the Rating Agency in a rating category at least as high as the then current rating on the Bonds, and which upon a downgrading of such rating will provide collateral at a level required by the Rating Agency to maintain a rating of “AAA” on the Bonds or remit such moneys to the Trustee, and any substitute investment agreement providing for the investment of such moneys, having substantially the same terms, and satisfying the aforesaid rating requirements.

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

“Issuer Fees” means, collectively, the fees and expenses of the Issuer payable pursuant to the provisions of the Tax Regulatory Agreement and the Extraordinary Issuer Fees and Expenses.

“Lender” means CBRE HMF, Inc., a Delaware corporation, or its successors and assigns or, if CBRE HMF, Inc. loses its status as an FHA approved mortgagee or Ginnie Mae approved seller/servicer, any other mortgagee approved by FHA or Ginnie Mae, as applicable, and the Issuer, and their respective successors or assigns.

“Lender Nominee” means Bank of America, N.A., and its successors and assigns.

“Letter of Credit” means an unconditional irrevocable letter of credit in favor of the Trustee, delivered to the Trustee pursuant to certain provisions in the Indenture, and in form and substance satisfactory to the Rating Agency (as evidenced by the written confirmation from the Rating Agency required in the Indenture) and the Trustee which is either issued or confirmed by a Qualified Financial Institution or which is collateralized in a manner approved in writing by the Trustee and in either case which the Rating Agency confirms will not adversely affect the rating then in effect for the Bonds.

“Letter of Representations” means the Blanket Issuer Letter of Representations provided by the Issuer to DTC.

“LIHTC Placed in Service Date” means the date the Project is considered placed in service for tax credit equity purposes pursuant to the Code and the regulations of the California Tax Credit Allocation Committee.

“Loan Agreement” means the Loan Agreement dated as of August 1, 2010, among the Lender, the Borrower, the Issuer and the Trustee, and any supplements or amendments thereto entered into in accordance with the Indenture.

“Low Income Housing Tax Credits” means the low income housing tax credits allocated to the owner of the Project pursuant to Section 42 of the Code.

“Management Agreement” means the management agreement between the Borrower and the Manager, relating to the Project, as the same may be supplemented, amended or replaced from time to time.

“Manager” means, initially, The John Stewart Company, or any successor or replacement property manager appointed by the Borrower with any approval of the Lender or HUD required under the Mortgage Loan Documents and/or applicable HUD Requirements.

“Managing General Partner” means Urban Preservation Foundation, a California nonprofit public benefit corporation, the managing general partner of the Affordable Units Borrower, and its successors and assigns.

“Mortgage” means the Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated on or about the Mortgage Loan Dated Date, each from the Borrower in favor of the Lender, as the same may be amended or modified from time to time.

“Mortgage Loan” means the loan from the Lender to the Borrower evidenced by the Mortgage Note and secured by the Mortgage.

“Mortgage Loan Dated Date” means the dated date of the Mortgage Loan Documents.

“Mortgage Loan Documents” means the Mortgage, the Mortgage Note, the HUD Regulatory Agreement, the Building Loan Agreement and any other agreement or document executed by the Borrower or the Lender in connection with the Mortgage Loan, together with all modifications, extensions, renewals and replacements thereof.

“Mortgage Note” means the Deed of Trust Note of the Borrower, dated on or about the Mortgage Loan Dated Date, payable to the order of the Lender in the principal amount of \$32,462,900, and any riders thereto, as the same may be amended or modified from time to time.

“National Housing Act” means the National Housing Act, and the applicable regulations thereunder.

“Opinion” means a written opinion of any attorney or firm of attorneys acceptable to the Trustee and, if applicable, the Issuer, who may be counsel to but shall not be a full time employee of the Issuer, the Borrower or the Trustee.

“Ordinary Services” means, in the case of the Trustee, the actions taken and carried out and those fees incurred by the Trustee as set forth in the Indenture, excluding Extraordinary Services and Extraordinary Expenses.

“Outstanding” as applied to the Bonds, means, as of the applicable date, all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

1. Bonds canceled upon surrender, exchange or transfer, or canceled because of payment or redemption, on or prior to such date;
2. Bonds defeased pursuant to the Indenture; and
3. Bonds in lieu of which others have been executed and authenticated under the Indenture;

provided that Bonds that are owned by the Issuer, the Borrower or any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer or the Borrower shall be deemed not to be Outstanding for purposes of determining whether the Owners of the

requisite percentage of Bonds have concurred in any demand, direction, request, notice, consent, waiver or other action under the Indenture, except that for purposes of determining whether the Trustee shall be protected in relying on any such concurrence of Owners, only Bonds known by the Trustee to be so owned shall be deemed not to be Outstanding. Bonds so owned that have been pledged in good faith may be regarded as Outstanding for such purposes, if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and the pledgee is not a Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer or the Borrower. In case of a dispute as to such right, the Trustee shall be fully protected in relying on an Opinion of counsel. At the time of any such determination, the Issuer shall furnish the Trustee a certificate of an Authorized Representative of the Issuer, upon which the Trustee may rely, describing all Bonds held by the Issuer so to be excluded.

“Pass-Through Rate” means the rate of interest on the Ginnie Mae Certificates, equal to 4.82% per annum.

“Payment Date” means the 20th day of each calendar month, commencing September 20, 2010. In the case of payment of defaulted interest, “Payment Date” also means the date of such payment established pursuant to the Indenture.

“Permitted Investments” means any of the following to the extent permitted under the Act and other applicable law:

(a) Bonds or other obligations of the State or bonds or other obligations, the principal of and interest on which are guaranteed by the State, and which have been assigned a rating by the Rating Agency that is at least as high as the then current rating on the Bonds;

(b) Government Obligations;

(c) Obligations of agencies of the United States government issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, and the Bank for Cooperatives;

(d) Bonds or other obligations issued by any public housing agency or municipality in the United States, which bonds or obligations are fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States government, or project notes issued by any public housing agency, urban renewal agency, or municipality in the United States and fully secured as to payment of both principal and interest by a requisition, loan, or payment agreement with the United States government, and which have been assigned a rating by the Rating Agency that is at least as high as the then current rating on the Bonds;

(e) Certificates of deposit of national banks or state banks whose unsecured or uncollateralized long-term debt obligations are assigned a rating by the Rating Agency of “AAA” or better (or the equivalent thereof by the Rating Agency) or whose unsecured and uncollateralized short-term debt obligations are assigned a rating by the Rating Agency of “A-1+” or better (or the equivalent thereof by the Rating Agency) and which have deposits insured by the Federal Deposit Insurance Corporation, including the certificates of deposit of any such national bank or state bank acting as depository, custodian, or trustee for any such bond proceeds, and which certificates of deposit have a maturity of no more than 365 days; provided, however, that the portion of such certificates of deposit in excess of the amount insured by the Federal Deposit Insurance Corporation, if any such excess exists, shall be secured by deposit with the Federal

Reserve Bank, the Federal Home Loan Bank, or with any national bank or state bank which have deposits insured by the Federal Deposit Insurance Corporation, of one or more of the following securities in an aggregate principal amount equal to at least the amount of such excess:

(i) Direct or general obligations of the State or of any county or municipality in the State;

(ii) Obligations of the United States or subsidiary corporations included in subparagraph (b) of this definition;

(iii) Obligations of agencies of the United States government included in subparagraph (c) of this definition; or

(iv) Bonds, obligations, or project notes of public housing agencies, urban renewal agencies, or municipalities included in subparagraph (d) of this definition; and

(f) Interest-bearing time deposits, reverse repurchase agreements, rate guarantee agreements, or other similar banking arrangements with a bank or trust company having capital and surplus aggregating at least \$50 million or with any government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York having capital aggregating at least \$50 million or with any corporation which is subject to registration with the Board of Governors of the Federal Reserve System pursuant to the requirements of the Bank Holding Company Act of 1956 and whose unsecured or uncollateralized long-term debt obligations are assigned a rating by the Rating Agency of "AAA" or better (or the equivalent thereof by the Rating Agency) or whose unsecured and uncollateralized short-term debt obligations are assigned a rating by the Rating Agency of "A-1+" or better (or the equivalent thereof by the Rating Agency), provided that each such interest-bearing deposit, repurchase agreement, guarantee agreement, or other similar banking arrangement shall permit the moneys so placed to be available for use at the time provided with respect to the investment or reinvestment of such moneys;

(g) No-load, open-end money market mutual funds (including those of the Trustee and its affiliates) registered under the Investment Company of 1940 provided the portfolio of such fund is limited solely to Government Obligations and such fund has been rated "AAAm-G" by the Rating Agency;

(h) Any Investment Agreement; and

(i) Any other obligations assigned a rating by the Rating Agency of at least the higher of (A) the then current rating on the Bonds or (B) at least one of the three highest rating categories and having a national recognized market including, but not limited to, guaranteed investment contracts offered by any firm, agency, business, government unit, bank, insurance company, corporation chartered by the United States Congress or other entity, real estate mortgage investment conduits, mortgage obligations, mortgage pools and pass-through securities, provided that each such obligation shall permit moneys so placed to be available for use at the time provided in the Indenture.

"Person" means one or more natural persons, firms, associations, corporations or public bodies.

"Principal Office" means the corporate trust office of the Trustee situated in the city in which the Trustee is described as being located or such other corporate trust office designated by the Trustee as its

Principal Office for purposes of the Indenture. The initial Principal Office of the initial Trustee for the purposes of the Indenture shall be as follows: Wells Fargo Bank, National Association, Corporate Trust Department, 333 Market Street, 18th Floor, San Francisco, CA 94105.

“Project” means the acquisition, construction and equipping of the multifamily rental housing facilities by the Borrower pursuant to the Loan Agreement and the Mortgage Loan Documents, to be known as Arc Light Co to contain approximately 94 multifamily rental housing units and related facilities and amenities, and located at 178 Townsend Street, San Francisco, California.

“Project Costs” means costs, fees and other expenses incurred in connection with the acquisition, construction, rehabilitation and equipping of the Project, costs, fees and other expenses incurred in connection with the closing of the Mortgage Loan and Costs of Issuance, provided such costs in each case are permitted to be financed with proceeds of the Bonds under the Act.

“Project Loan Certificate” means the Ginnie Mae Certificate issued after the Mortgage Loan is finally endorsed for FHA Insurance.

“Project Loan Certificate Maximum Amount” means (i) \$32,462,900 (the original stated principal amount of the Mortgage Loan), minus (ii) (A) the amount of any scheduled principal amortization payments due and payable on the Mortgage Note on or before the dated date of the Project Loan Certificate and (B) an amount equal to the amount of any Bonds redeemed pursuant to certain specified provisions of the Indenture.

“Qualified Financial Institution” means (i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and which is on the Federal Reserve Bank of New York’s list of primary government securities dealers, provided such dealer has been approved by the Rating Agency; (ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America and financial institutions that are rated “AAA” or financial institutions whose guarantors are rated “AAA”; (iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity or which is a subsidiary of a foreign insurance company; or (iv) the Government National Mortgage Association or any successor thereto or Fannie Mae or any successor thereto; provided that for each such entity delineated in clause (ii) and (iii) its unsecured or uncollateralized long-term debt obligations, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, have been assigned a credit rating by each Rating Agency which is not lower than the rating then assigned (i.e., at the time an Investment Agreement is entered into) to any Outstanding Bonds by such Rating Agency.

“Qualified Project Costs” means Project Costs that will be chargeable to the capital account of, and will constitute the federal tax basis of, the land and depreciable property that constitute the Project (or would be so chargeable either with a proper election by the Borrower or but for a proper election by the Borrower to deduct such amounts).

“Qualified Project Period” means the period beginning on the later of the Closing Date or the first day on which at least ten percent (10%) of the residential units in the Project are occupied and ending on the latest of:

(i) the date which is fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied (or after the Closing Date, if later),

(ii) the first day on which no tax-exempt private activity bond issued with respect to the Project is outstanding, or

(iii) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937, as amended, terminates.

“Rating Agency” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

“Rebate Amount” means the amount required to be rebated to the United States pursuant to Section 148 of the Code with respect to the Bonds.

“Rebate Analyst” means the Person responsible for calculating the rebate amounts due to the United States of America with respect to the Bonds.

“Rebate Analyst Fees” means the fees to be paid to the Rebate Analyst, initially in the amount of \$800.00 per annum, payable semiannually on February 20 and August 20 of each year commencing February 20, 2011.

“Rebate Fund” means the fund of that name, the creation of which is provided for in the Indenture.

“Rebate Year” means the period beginning on the Closing Date and ending on July 19, 2011, and for all other Rebate Years, the one year period beginning on the day after the preceding Rebate Year and ending on the following July 19, unless another period is required by the Code; provided, however, that the last Rebate Year for the Bonds shall end on the Retirement Date of the Bonds.

“Record Date” means (i) prior to and including, if applicable, the final Draw Down Date, each Payment Date, and (ii) thereafter, the 15th day preceding each Payment Date, or if such day is not a Business Day, then the preceding Business Day.

“Reserved Rights” means those certain rights of the Issuer under the Loan Agreement to indemnification and to payment or reimbursement of expenses of the Issuer, the Issuer’s right to enforce certain provisions of the Loan Agreement as they relate to the Issuer’s rights to notice and reporting requirements, its right to enforce the performance of certain requirements with respect to or transfer of ownership of the Project, its right to inspect and audit the books, records and premises of the Borrower and of the Project, its right to collect attorneys’ fees and related expenses, its right to enforce the Borrower’s covenant to comply with applicable federal tax law and State law (including the Act and the rules of the Issuer, if any), its right to receive notices and to grant or withhold consents or waivers under the Loan Agreement, the Tax Regulatory Agreement and the Indenture, and its right to amend the Indenture, the Tax Regulatory Agreement and the Loan Agreement in accordance with the provisions of the Indenture.

“Retirement Date” means the date on which the last Bond is retired.

“Scheduled Administrative Fees” means, collectively, the Issuer’s Administration Fees, the Trustee’s Ordinary Fees, the Dissemination Agent Fees and the Rebate Analyst Fees.

“Securities Depositories” means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax (516) 227-4039 or 4191; Midwest Securities Trust Company, Capital Structures – Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax (312) 663-2343; Pacific Securities Depository Trust Company, Pacific and Company, P.O. Box 7041, San Francisco, Texas 94120, Fax (415) 393-4128; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, (215) 496-5058; or, in accordance with then current guidelines of the Securities and Exchange Commission to such other addresses and/or such other securities depositories or, as the Issuer may designate in a request of the Issuer delivered to the Trustee, to no such depositories.

“Series” means any series of Bonds issued pursuant to the Indenture.

“Sinking Fund Redemption Date” means the 20th day in each of the months specified in the Indenture.

“Sinking Fund Redemption Requirements” shall mean the aggregate principal amount of the Bonds required to be redeemed on each Sinking Fund Redemption Date pursuant to the Indenture.

“Special Mandatory Redemption Fund” means the Special Mandatory Redemption Fund established pursuant to the Indenture.

“Special Record Date” means the date established by the Trustee pursuant to the Indenture as a record date for the payment of defaulted principal of or interest on the Bonds.

“State” means the State of California.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Issuer and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Supplemental Account” means the Supplemental Account within the Construction Fund established pursuant to the Indenture.

“Surplus Cash” shall have the meaning specified in the HUD Regulatory Agreement.

“Tax Certificate” means the Tax Certificate and Agreement dated as of the Closing Date executed and delivered by the Issuer and the Borrower.

“Tax Credit Investor” means Patrick M. McNerney, an individual, as purchaser of the Low Income Housing Tax Credits, together with its successors and assigns in such capacity.

“Tax Regulatory Agreement” means the Regulatory Agreement and Declaration of Restrictive Covenants dated as of August 1, 2010, between the Issuer and the Borrower, as amended further from time to time in accordance with its terms.

“Title Insurance Company” means Old Republic Title Company.

“Title Insurance Policy” means the mortgagee title insurance policy issued by the Title Insurance Company as of the Closing Date insuring the Lender’s interest under the Mortgage.

“Trust Estate” means the trust estate pledged by the Issuer and described in the Granting Clauses of the Indenture.

“Trust Estate Funds” means the funds and the accounts therein created and established pursuant to the Indenture as part of the Trust Estate under the Indenture, including the Bond Fund, the Special Mandatory Redemption Fund and the Construction Fund, but excluding the Rebate Fund and the Costs of Issuance Fund.

“Trustee” means Wells Fargo Bank, National Association, a national banking association organized and existing under and by virtue of the laws of the United States of America and being duly qualified to accept and administer the trusts created by the Indenture, or its successor, as Trustee under the Indenture.

“Trustee Fees” mean, collectively, the Trustee’s Ordinary Fees and the Extraordinary Trustee Fees and Expenses.

“Trustee’s Ordinary Fees” means (a) the initial acceptance fee of \$2,400.00 payable to the Trustee on the Closing Date as a Cost of Issuance of the Bonds, and (b) the amount payable to the Trustee pursuant to the Indenture for its Ordinary Services thereunder, in an amount equal to \$3,400.00 per year (provided that the amount of such Fees payable from amounts under the Indenture shall be subject to pro rata reduction in the event of any partial prepayment of the Mortgage Loan), payable in arrears in semi-annual installments on each February 20 and August 20, commencing February 20, 2011 (which installment shall be pro-rated). The Trustee shall invoice the Borrower separately for any Trustee's Ordinary Fees which are due but are not payable from funds held under the Indenture pursuant to the foregoing provision.

“Underwriter” means Merchant Capital, L.L.C., as the underwriter of the Bonds.

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE, THE LOAN AGREEMENT AND THE TAX REGULATORY AGREEMENT

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture, which 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 Issuer and the Trustee.

Establishment of Funds and Accounts

The following funds and accounts are established with the Trustee under the Indenture, which funds and accounts are to be held and maintained by the Trustee under the Indenture:

- (i) the Bond Fund;
- (ii) the Special Mandatory Redemption Fund;
- (iii) the Construction Fund, and the Bond Proceeds Account and the Supplemental Account therein;
- (iv) the Costs of Issuance Fund; and
- (v) the Rebate Fund.

Deposits into Construction Fund: Use of Moneys in Construction Fund.

(a) (i) The Trustee shall deposit into the Bond Proceeds Account within the Construction Fund when and as received the following:

(A) The Initial Draw Amount and any subsequent Bond proceeds received by the Trustee on a Draw Down Date and additional amounts from, or at the direction of, the Borrower as directed in the Indenture into the Bond Proceeds Account within the Construction Fund; and

(B) the par amount of the Bonds drawn down on each Draw Down Date shall be deposited into the Bond Proceeds Account of the Construction Fund; and

(C) all earnings and gains from the investment of money held in the Bond Proceeds Account within the Construction Fund shall be deposited into the Bond Fund.

(ii) The Trustee is to hold for the account of the Supplemental Account within the Construction Fund any Extension Payment or Letter of Credit delivered pursuant to the Indenture and the proceeds of any draw upon any Letter of Credit so provided. All earnings and gains from the investment of money held in the Supplemental Account within the Construction Fund shall be deposited into the Bond Fund;

(iii) Moneys in the Construction Fund (and the Bond Fund with respect to accrued interest) shall be applied to the acquisition of Ginnie Mae Certificates. Upon the acquisition thereof, the Initial Construction Loan Certificate and all other Construction Loan

Certificates shall be registered in the name of the Trustee or its nominee in and for the benefit of the Construction Fund. The Borrower shall deliver to the Trustee, contemporaneously with its delivery of the requisition for each advance of the Mortgage Loan proceeds from the Lender, a certificate, in substantially the form appearing as an exhibit to the Loan Agreement, stating that such advance will not cause or result in the violation, or be in violation, of any covenant contained in the Tax Regulatory Agreement or in the Tax Certificate relating to the Bonds and dated the Closing Date, including without limitation, the covenants that (i) at least 95% of the Net Bond Proceeds (as defined in said Certificate) will be used to pay costs chargeable to the capital account of the Project or would be so chargeable either with a proper election or but for a proper election to deduct such amounts and (ii) the issuance costs of the Bonds financed with proceeds of the Bonds will not exceed 2% of the proceeds of the Bonds.

In the event the Trustee does not receive the certificate of the Borrower contemplated by the immediately preceding paragraph, or in the event funds remain in the Bond Proceeds Account after August 16, 2013, the Trustee shall, nevertheless, continue to disburse funds in accordance with the Indenture and the Loan Agreement.

(b) On each Payment Date occurring prior to the purchase of the Project Loan Certificate by the Trustee, (i) the Trustee shall transfer from the Supplemental Account to the Bond Fund an amount which, together with money held in the Bond Fund for such purpose, is equal to the principal of and interest due on the Bonds on such Payment Date.

(c) (i) Prior to delivery of the Project Loan Certificate, the Trustee shall make the following disbursements from the Construction Fund: disburse funds to the Lender or the Lender Nominee (as provided in the Loan Agreement) to acquire from the Lender or the Lender Nominee (A) the Initial Construction Loan Certificate, (B) Construction Loan Certificates, in each case upon presentation of such Construction Loan Certificates and (C) if issued by the Lender, the Final Endorsement Construction Loan Certificate upon presentation of the Final Endorsement Construction Loan Certificate pursuant to the Loan Agreement. The Trustee shall acquire such Construction Loan Certificates at the prices and times set forth in the Loan Agreement. Each Construction Loan Certificate shall have the interest rate and terms specified in the Loan Agreement.

(ii) Following the disbursement of funds from the Construction Fund to acquire each Construction Loan Certificate, the Trustee is to determine whether the sum of the total amounts of all advances of moneys from the Construction Fund, plus the amount of funds held in the Construction Fund plus the principal amount of Bonds yet to be drawn is equal to at least \$32,462,900, in each case including all Accounts therein. In the event the aforesaid sum is less than \$32,462,900, the Trustee is to promptly notify the Borrower and the Lender in writing of the amount of the deficiency and direct the Borrower to deliver to the Trustee within ten (10) Business Days a Letter of Credit in an amount at least equal to such deficiency amount, which Letter of Credit will be drawn in full and deposited by the Trustee into the Construction Fund.

(d) The Trustee shall acquire the Project Loan Certificate from the Lender or the Lender Nominee on or prior to the Delivery Date (or such later date as may be permitted under the terms of the Indenture), but only if the Trustee or its nominee has previously received all Construction Loan Certificates representing prior disbursements and all payments due thereon. The Project Loan Certificate shall have the interest rate and terms specified in the Loan Agreement. All Construction Loan Certificates held by the Trustee or its nominee will be cancelled in exchange for the Project Loan Certificate as provided in the Loan Agreement; provided, however, that such Construction Loan Certificates shall not be so cancelled if the principal amount of the Project Loan Certificate, as delivered

to the Trustee, is less than the aggregate outstanding principal amount of such Construction Loan Certificates unless the Lender has paid to the Trustee or its nominee an amount equal to such difference as a partial prepayment of such Construction Loan Certificates. Any amounts so received that is a result of the Mortgage Loan being reduced upon final endorsement (which shall be confirmed to the Trustee by the Lender in writing) shall be deposited in the Bond Fund and applied to the redemption of Bonds pursuant to the Indenture. Upon the delivery of the Project Loan Certificate, the Trustee shall apply any amount remaining in the Construction Fund in accordance with the provisions of the Indenture described in paragraph (i) herein.

(e) In the event that the Mortgage Note commences amortization prior to the date that the Project Loan Certificate is purchased by the Trustee, the Lender agrees to retain for its own account all payments on the Mortgage Note that represent principal amortization payments thereof which are received prior to the date of purchase of the Project Loan Certificate by the Trustee and not to pass through such principal amortization payments to the Trustee; provided, however, that the retention of such principal amortization payments by the Lender shall result in a reduction in the amount of the Project Loan Certificate when issued equal to any such principal amortization payments. Lender agrees in the Loan Agreement not to amend the Mortgage Note to accelerate amortization unless the Trustee has received (A) an Opinion of Bond Counsel that such amendment will not, in and of itself, adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes and (B) written approval of such amendment from the Rating Agency.

(f) If a GNMA Delivery Date does not occur (and the corresponding Construction Loan Certificate or Project Loan Certificate (including the Initial Construction Loan Certificate) is not delivered to the Trustee) within 10 days of the corresponding Draw Down Date or the Project Loan Certificate is not delivered to the Trustee on or before the Project Loan Certificate Delivery Date (November 30, 2012) (or such later dates as may be established in paragraph (g) below), the Trustee shall, on the Business Day immediately after (i) the 10th day following the applicable Draw Down Date or (ii) the Delivery Date, as applicable (or such later dates as may be established in paragraph (g) below), transfer to the Bond Fund amounts on deposit in the Construction Fund (including the Supplemental Account therein) for application to the mandatory redemption of Bonds in accordance with the Indenture.

(g) If (a) the Initial Construction Loan Certificate cannot be delivered to the Trustee or its nominee by the Initial Construction Loan Certificate Delivery, (b) a Construction Loan Certificate can not be delivered to the Trustee within ten (10) days of the corresponding Draw Down Date or (c) the Project Loan Certificate cannot be delivered to the Trustee or its nominee by the Delivery Date, the Initial Construction Loan Certificate Delivery Date, a Ginnie Mae Delivery Date or the Delivery Date, as applicable, may be extended one or more times. No extension of the Delivery Date shall be to a date which is later than fifteen (15) days prior to the Construction Loan Certificate Maturity Date (as it may be extended pursuant to the Indenture with the written consent of the Lender). In order to extend the Initial Construction Loan Certificate Delivery Date, a Ginnie Mae Delivery Date or the Delivery Date, the Trustee must receive, on or before the Initial Construction Loan Certificate Delivery Date, a Ginnie Mae Delivery Date or the Delivery Date then in effect (as applicable), a written request from the Borrower (with the written consent of the Lender) or the Lender for such extension accompanied by:

(i) a cash flow projection verified to the reasonable satisfaction of Rating Agency (as evidenced by the Trustee's receipt of the written verification of the rating from the Rating Agency referred to in clause (iv) of this Subsection (f)) by an independent third party with nationally recognized expertise in structuring municipal bond issues and which is satisfactory to the Rating Agency to maintain the rating on the Bonds, demonstrating that the sum of (A) the amounts in the Construction Fund (including any Letter of Credit delivering to the Trustee in conjunction with such cash flow projection and expiring no less than fifteen (15) days after the

extended Construction Loan Certificate Maturity Date) and the Bond Fund, (B) the investment earnings to accrue on the amounts held in the Construction Fund and/or the Bond Fund plus payments on any Construction Loan Certificates held by the Trustee or its nominee during the period ending ten (10) days after the extended Construction Loan Certificate Maturity Date so requested, (C) the payments on the Project Loan Certificate assuming it is delivered not earlier than the latest date on which it may be delivered to the Trustee or its nominee, (D) any additional Extension Payment delivered to the Trustee by or on behalf of the Borrower or the Lender for deposit into the Construction Fund or the Bond Fund (and if additional cash or proceeds from a Letter of Credit are to be deposited for the extension, then proper bankruptcy and enforceability opinions, acceptable to the Trustee, must be provided by a nationally recognized bankruptcy counsel, acceptable to the Trustee), and (E) any surplus amount shown in the original cash flow projections provided to the Rating Agency, will be at least equal to the debt service on the Bonds (1) for the term of the Bonds and (2) through the extended Construction Loan Certificate Maturity Date so requested, assuming the Project Loan Certificate is not delivered (including the redemption price of the Bonds at par and excluding any premium thereon), as applicable and which cash flow projection must show not less than the lowest carryover balance on any remaining Payment Date shown on the cash flow projections in effect on the date of delivery of the Bonds, or such lower carry forward balance as is acceptable to the Rating Agency in connection with the verification required by the Indenture,

(ii) written evidence of the consent of the Lender to the extension of the Construction Loan Certificate Maturity Date, if applicable,

(iii) in the event proceeds of the Bonds remain undisbursed in the Bond Proceeds Account within the Construction Fund and if the extension of the Delivery Date is to a date after August 16, 2013, an Opinion of Bond Counsel to the effect that such extension will not cause interest on the Bonds to become includable in gross income for federal income tax purposes,

(iv) written verification from the Rating Agency that there will be no adverse impact on then current rating on the Bonds; and

(v) evidence that the Borrower has paid to the Bondowner all extension fees then due and payable pursuant to the provisions of the Confirmation of Delivery Terms executed by the Borrower, the Lender, the Underwriter and the Bondowner in connection with the issuance and delivery of the Bonds.

Any fees incurred in connection with any such extension of the Initial Construction Loan Certificate Delivery Date, a Ginnie Mae Delivery Date or the Delivery Date can be paid out of funds held in the Trust Estate if such amounts are included in the cash flow projections reviewed by the Rating Agency.

(h) In the event that (i) the Trustee has given notice of an extraordinary mandatory redemption of Bonds pursuant to the Indenture and (ii) such redemption has not been rescinded pursuant to the Indenture, then on the date fixed for such redemption, the Trustee shall (A) if such redemption is pursuant to certain specified provisions of the Indenture, transfer to the Special Mandatory Redemption Fund all amounts and Construction Loan Certificates on deposit in the Construction Fund (including all amounts representing payments at maturity of the Construction Loan Certificates) for application to the extraordinary redemption of Bonds pursuant to the aforesaid provisions of the Indenture.

(i) In the event that the Construction Loan Certificate Maturity Date has been extended pursuant to the Indenture, then, subject to receipt by the Trustee of a written confirmation from the Rating

Agency that the rating on the Bonds will not be reduced, suspended or withdrawn, and if directed in writing by the Lender, the Trustee shall, five (5) Business Days before any Sinking Fund Redemption Date that is prior to the earlier of such extended Construction Loan Certificate Maturity Date or the date of delivery of the Project Loan Certificate to the Trustee or its nominee, sell to the Lender (or allow the Lender to redeem), at the price of the principal amount thereof, plus accrued interest to the date of payment to the Trustee or its nominee, Construction Loan Certificates in a principal amount equal to the principal amount of Bonds which mature or which are to be redeemed on such Sinking Fund Redemption Date, but only if the terms (including price, timing and source of payment) of such sale have been reviewed by the Rating Agency prior to its delivery of the confirmation described above. Any payments made by the Lender to purchase or redeem Construction Loan Certificates pursuant to this subsection (h) shall be made with Available Money.

(j) Upon the earlier of (i) delivery of the Project Loan Certificate to the Trustee or its nominee or (ii) the last Business Day before the Bonds are to be redeemed for failure to timely deliver the Project Loan Certificate, (as such date may be extended under the Indenture), the Trustee shall apply any amount remaining in the specified Account within the Construction Fund (in each case with funds to be withdrawn first from the Bond Proceeds Account (but only after the Trustee's receipt of an Opinion of Bond Counsel as described in the Indenture), and second only after no funds remain in the Bond Proceeds Account from the Supplemental Account, and in connection therewith the Trustee shall make any necessary draws on any Letter of Credit held in the Supplemental Account, in the following order:

(A) first, transfer to the Special Mandatory Redemption Fund, for the redemption of Bonds pursuant to the Indenture the amount required to effect such redemption;

(B) second, transfer any remaining amounts in the Construction Fund (including any cash or Letter of Credit held therein) to the Bond Fund; and

(C) third, on the Business Day following the first Payment Date after the Construction Loan Certificate Maturity Date, transfer any remaining amounts in the Bond Fund in excess of the applicable Carryover Amount set forth in Exhibit B hereto, to the Borrower.

(k) If any Ginnie Mae Certificate is in book-entry only form, then the following shall apply:

(A) the Ginnie Mae Certificate must be registered in the name of the Trustee or the participant acting on behalf of the Trustee at the depository for such book-entry designation upon the purchase of the Ginnie Mae Certificate by the Trustee in accordance with the Loan Agreement and the Trustee or the participant acting on behalf of the Trustee shall have a first-lien position perfected security interest in the Ginnie Mae Certificate;

(B) the Trustee shall be or shall become a participant in the Ginnie Mae Depository or shall have entered into a custody agreement with respect to the Ginnie Mae Certificate with a participant of the Ginnie Mae Depository;

(C) the Trustee or the participant acting on behalf of the Trustee (in either case, the "Receiving Participant") shall establish a limited purpose account with the Ginnie Mae Depository for the Indenture to be called the "Limited Purpose Account";

(D) the Receiving Participant shall deliver an irrevocable instruction to the Ginnie Mae Depository to the effect that all fees arising in connection with the Limited Purpose Account are to be charged to another account maintained by the Ginnie Mae Depository for the Receiving Participant;

(E) the Ginnie Mae Depository shall deliver a certificate to the Receiving Participant acknowledging that the Ginnie Mae Depository will not charge the specified Limited Purpose Account at all times that the instruction in paragraph (D) above remains in effect (with exceptions only for mistake or to secure and repay any advance of principal and interest made by the Ginnie Mae Depository);

(F) there must be written evidence from the Ginnie Mae Depository or the Receiving Participant that the Ginnie Mae Depository has made an appropriate entry in its records of the transfer of such book-entry security to the Receiving Participant's account; and

(G) the Ginnie Mae Certificate has been transferred and received into the Limited Purpose Account free of any payment obligation other than the Trustee's obligation to pay the Lender for the Ginnie Mae Certificate.

The Trustee may rely on representations made by the Lender regarding compliance with the foregoing requirements. The provisions of paragraphs (C), (D), (E) and (F) shall not apply if the Trustee receives written evidence from the Ginnie Mae Depository and the Receiving Participant that the Ginnie Mae Depository will not offset its fees against the Receiving Participant's custodial account.

Deposits into Bond Fund: Use of Money in Bond Fund

(a) The Trustee shall deposit in the Bond Fund when and as received:

(i) amounts, if any, paid as accrued interest and additional amounts received by the Underwriter directed to be deposited into the Bond Fund pursuant to the Indenture;

(ii) all income, revenues, proceeds and other amounts received from or in connection with the Construction Loan Certificates or the Project Loan Certificate;

(iii) all earnings and gains from the investment of money held in the Bond Fund;

(iv) all amounts transferred to or deposited in the Bond Fund pursuant to the Indenture; and

(v) amounts paid by the Borrower pursuant to the Loan Agreement for deposit in the Bond Fund, additional security or any other amounts received by the Trustee which are subject to the lien and pledge of the Indenture for the benefit of the Owners.

(b) All amounts in the Bond Fund shall be used by the Trustee in the following priority:

(i) to the Lender, accrued interest on any Construction Loan Certificates purchased by the Trustee;

(ii) on each Payment Date, for payment of principal of and premium, if any, and interest on the Bonds due on such Payment Date, and on each date on which Bonds are to be redeemed (other than pursuant to the provisions of the Indenture regarding extraordinary mandatory redemption) for payment of the redemption price of such Bonds; and

(iii) for the payment of the Scheduled Administrative Fees on the dates and in the amounts set forth in the Indenture.

(c) Prior to the disbursement of any sums which are to be transferred to the Bond Fund from the Bond Proceeds Account within the Construction Fund pursuant to the Indenture, the Trustee must first obtain, at the expense of the Trust Estate, an Opinion of Bond Counsel to the effect that such transfer, in and of itself, will not adversely affect the excludability from gross income for federal income tax purposes of interest on the Bonds.

(d) Upon acquisition of the Project Loan Certificate, such Certificate shall be registered in the name of the Trustee or its nominee in and for the benefit of the Bond Fund.

Costs of Issuance Fund

On the Closing Date, the Trustee shall deposit into the Costs of Issuance Fund the amount, if any, received from the Title Insurance Company pursuant to the Indenture for the purpose of paying Costs of Issuance of the Bonds. The Trustee is to apply funds from the Costs of Issuance Fund to pay the Costs of Issuance of the Bonds itemized in an attachment to an instruction letter from the Borrower delivered to the Trustee on the Closing Date upon its receipt of appropriate invoices or other evidence of amounts due.

Special Mandatory Redemption Fund

Amounts transferred to the Bond Fund from the Construction Fund pursuant to the Indenture or attributable to the receipt by the Trustee of payments under the Ginnie Mae Certificates exceeding regularly scheduled payments of principal and interest shall be deposited in the Special Mandatory Redemption Fund and used by the Trustee solely to redeem Bonds pursuant to the Indenture.

Rebate Fund

The Rebate Fund shall be used as a repository of the Rebate Amount, if any. Such Rebate Fund shall be held in trust for the benefit of the United States of America and shall not be subject to any lien, security interest, right, claim or encumbrance of any other person, including the Issuer, the Borrower, or the Owners of the Bonds. The Borrower has covenanted in the Loan Agreement to employ and pay the Rebate Analyst to determine for each Rebate Year the Rebate Amount.

Disposition of Balance in Funds

Except as otherwise specifically provided in the Indenture, money held by the Trustee after payment or discharge of principal of and interest on all of the Bonds and payment of all amounts due to the Trustee under the Indenture and all other Administrative Fees shall be free from the trust of the Indenture and shall promptly thereafter be transferred to the Issuer to the extent certified to the Trustee by the Issuer as amounts owed to the Issuer under the Loan Agreement, and any amount remaining thereafter to the Borrower, and the Trustee shall be released and discharged with respect thereto. Upon payment or discharge of the Bonds in full and payment in full of all fees and expenses of the Trustee, the Trustee

shall assign all of its rights and interest in the Trust Estate to the Issuer if amounts are owed to the Issuer under the Loan Agreement.

Segregation of Money

All money paid to the Trustee pursuant to the Indenture for deposit and all investments purchased with money so deposited shall at all times be accounted for separately and shall not be commingled with any other funds of the Issuer and the Trustee, and shall be held in trust by the Trustee.

Letters of Credit

(a) Any Letter of Credit provided pursuant to the Indenture and any renewal, extension or replacement thereof shall satisfy the following requirements:

(i) Unless the Letter of Credit is to drawn upon on the Closing Date, either the expiration date of the Letter of Credit must be at least fifteen (15) days after the Delivery Date, or the Letter of Credit must include an annual renewal provision satisfactory to the Issuer and the Rating Agency (as evidenced by the written confirmation from the Rating Agency required by the terms of clause (b) of the definition of "Letter of Credit" in Appendix A hereto).

(ii) If the term of the Letter of Credit (without regard to renewal provisions) is less than one year, the short-term rating of the issuer of the Letter of Credit shall be "A-1+", or if the term of the Letter of Credit is more than one year but not more than three years, the long-term rating of the issuer of the Letter of Credit shall be at least "AAA" and its short-term rating shall be "A-1+". If the term of the Letter of Credit is greater than three years, the short-term rating of the issuer of the Letter of Credit shall be "A-1+" and its long-term rating shall be not less than the rating on the Bonds.

(iii) The Letter of Credit must permit the Trustee to draw for the full amount of the available commitment at any time on or before the expiration date thereof.

(iv) The Letter of Credit must be irrevocable, unconditional and transferable without any fee or charge to the beneficiary.

(b) The Trustee shall draw upon the Letter of Credit in accordance with its terms to make full and timely payments to Bondowners:

(i) to make any payment from the Construction Fund required under the Indenture;

(ii) to make payments due from the Bond Fund pursuant to the Indenture, to the extent of any deficiency in the Bond Fund;

(iii) in whole on the date which is fifteen (15) days prior to the expiration or termination date of such Letter of Credit (as such expiration date may be extended);

(iv) within three (3) Business Days after receiving written instructions from the Lender to draw upon the Letter of Credit. and/or

(v) within three (3) Business Days after receiving notice of a ratings downgrade of the Letter of Credit provider thereby not meeting the terms set forth in subsection (a)(ii) above.

The Trustee shall disburse proceeds of all draws on the Letter of Credit immediately upon receipt for the purposes for which such draws are made and all such proceeds can be invested in any Permitted Investments.

Investment of Funds

Subject to the provisions of the Indenture, money on deposit in the Funds and Accounts under the Indenture shall be invested and reinvested, to the extent practicable, by the Trustee in Permitted Investments, as directed in writing by the Lender until delivery of the Project Loan Certificate and thereafter by an Authorized Representative of the Borrower; provided that in the event of the failure of the Lender or the Borrower (as applicable) to provide timely written directions as to such investment or reinvestment, the Trustee shall invest or reinvest any or all money held by it in the Funds, to the extent practicable, in a money market fund satisfying the requirements described in clause (g) of the definition of Permitted Investments set forth in the Indenture; provided that such Permitted Investments shall mature on the earlier of 180 days or when needed. The Trustee may make Permitted Investments through its own or any affiliate's investment department. The Trustee is specifically authorized to implement its automated cash investment system to assure that cash on hand is invested and to charge its normal cash management fees, which may be deducted from income earned or investments.

No Disposition of Ginnie Mae Certificates

Except as otherwise provided in the Indenture, without the prior written consent of the Owners of 100% of the Bonds, neither the Issuer nor the Trustee shall sell or otherwise dispose of a Ginnie Mae Certificate (other than delivery of a Ginnie Mae Certificate to the Lender in accordance with its terms) after its acquisition for an amount less than an amount sufficient, together with other amounts then held under the Indenture and available for the payment of the Bonds, to defease the Bonds in accordance with the Indenture on the first date following such sale on which the Bonds may be optionally redeemed pursuant to the Indenture.

Defeasance of Bonds

In the event that the Issuer shall issue refunding bonds or have money available from any other lawful source to pay the principal of and interest on the Bonds or such portion thereof as the same become due and payable and to refund or defease such then Outstanding Bonds and to pay the costs of such refunding or defeasance, and shall have set aside irrevocably in a special fund for and pledged to such payment, refunding or defeasance, money and/or Government Obligations that are not subject to redemption prior to maturity sufficient in amount, together with known earned income from the investments thereof but without regard to reinvestment thereof, to make such payments and to accomplish the refunding or defeasance as scheduled (the "Trust Accounts"), and shall make irrevocable provisions for redemption of such Bonds, if applicable, then in such case all right and interest of the Owners of the Bonds to be so retired, refunded or defeased (collectively, the "Defeased Bonds") in the covenants of the Indenture, in the Trust Estate, and in the funds and accounts obligated to the payment of such Defeased Bonds, other than the right to receive the funds so set aside and pledged, thereupon shall cease and become void, except that such Owners shall have the right to receive payment of the principal of and premium, if any, and interest on the Defeased Bonds from the trust account and, in the event the funds in the trust account are not available for such payment, shall have the residual right to receive payment of the principal of and premium, if any, and interest on the Defeased Bonds from the Trust Estate (but only

if the Indenture has not been discharged as described in the Indenture) without any priority of lien or charge against the Trust Estate or those covenants with respect thereto except to be paid therefrom (except that such rights as exist with respect to payment, exchange and transfer of such Bonds under the pertinent provisions of the Indenture shall continue in full force and effect). The Trustee shall, as it deems necessary, provide for the random selection of any Defeased Bonds that constitute less than all of the Bonds, for notice of the defeasance to be given to the Owners of the Defeased Bonds and to such other persons as the Issuer shall determine, and for any required replacement of Bond certificates for Defeased Bonds. After the establishing and full funding of such trust account, the Defeased Bonds shall be deemed to be discharged and the Issuer then may apply any money in any other fund or account established for the payment or redemption of the Defeased Bonds to such lawful purposes as it shall determine, subject only to the rights of the Owners of any other Bonds then Outstanding and the rights of the Trustee under the Indenture. Notwithstanding the foregoing, no Bonds shall be defeased unless the Trustee has received written confirmation from each Rating Agency, if any, that such defeasance will not result in a reduction or withdrawal of the rating on the Defeased Bonds and unless the Scheduled Administrative Fees of the Trustee, the Dissemination Agent, Issuer and the Rebate Analyst through and including full payment of the Bonds have been paid or provided for to the satisfaction of the Issuer and the Trustee. If the Bonds are registered in the name of DTC or its nominee, notice of any defeasance of Bonds shall be given to DTC in accordance with the Letter of Representations.

Discharge of Indenture

The obligations of the Trustee under the Indenture shall remain in effect with respect to all Bonds until the principal of and premium, if any, and interest on all Bonds shall have been paid in full or discharged, notwithstanding that the lien of the Indenture may have been discharged with respect to some of the Bonds pursuant to the Indenture described above regarding defeasance. Any money held by the Trustee after payment or discharge of principal of and interest on all of the Bonds and payment of all amounts due to the Trustee under the Indenture and all other Administrative Fees shall be free from the lien of the Indenture and shall promptly thereafter be transferred to the Issuer to the extent certified to the Trustee by the Issuer as amounts owed to the Issuer under the Loan Agreement and any amount remaining thereafter to the Borrower, and the Trustee shall be released and discharged with respect thereto. Upon payment or discharge of the Bonds in full and payment in full of all fees and expenses of the Trustee, the Trustee shall assign all of its rights and interest in the Trust Estate to the Issuer if amounts are owed to the Issuer under the Loan Agreement.

Neither the Trustee nor the Bond Registrar shall be responsible for accounting for, or paying to, any Bondowner any return on or benefit from money held for the payment of unredeemed Bonds or outstanding checks, and no calculation of the same shall affect or result in any offset against fees and expenses due to the Trustee or the Bond Registrar under the Indenture.

Nonpresentation of Bonds

Notwithstanding any provisions of the Indenture, any moneys deposited with the Trustee or any paying agent in trust for the payment of the principal of, or interest or premium on, any Bonds remaining unclaimed for two (2) years after the principal of all the Outstanding Bonds has become due and payable (whether at maturity or upon redemption as provided in the Indenture), shall then be paid to the Borrower, and the holders of such Bonds shall thereafter be entitled to look only to the Borrower for payment thereof and all liability of the Issuer and the Trustee or any paying agent with respect to such moneys shall thereupon cease. In the event of the payment of any such moneys to the Borrower as aforesaid, the holders of the Bonds in respect of which such moneys were deposited shall thereafter be deemed to be unsecured creditors of the Borrower for amounts equivalent to the respective amounts deposited for the payment of such Bonds and so paid to the Borrower (without interest thereon).

Events of Default

The following events shall be Events of Default under the Indenture:

(a) default in the due and punctual payment of the principal of, premium, if any or interest on any Bond when and as the same shall become due and payable, whether at maturity as expressed therein, by proceedings for redemption (except as otherwise provided in the Indenture), by acceleration, or otherwise; or

(b) default in the performance or observance of any other of the covenants, promises, stipulations, agreements or conditions on the part of the Issuer contained in the Indenture or in the Bonds and failure to remedy the same after notice thereof pursuant to the Indenture.

Acceleration of Maturity

If an Event of Default described in paragraph (a) above shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and shall, if requested in writing by the Owners of 25% of the aggregate principal amount of the Bonds then Outstanding, by notice in writing to the Issuer, the Lender and the Borrower, declare the principal of all of the Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, but only from the revenues and receipts in the Indenture specifically pledged for such purpose, including, without limitation, amounts paid pursuant to the Ginnie Mae Certificates and amounts on deposit in the Bond Fund and accounts therein.

If an Event of Default described in paragraph (b) above shall occur at any time after delivery of the Project Loan Certificate, then, and in each and every such case during the continuance of such Event of Default, the Trustee shall, if requested in writing by the Owners of 100% of the aggregate principal amount of the Bonds then Outstanding, by notice in writing to the Issuer, the Lender and the Borrower, declare the principal of all of the Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, but only from the revenues and receipts in the Indenture specifically pledged for such purpose, including, without limitation, amounts paid pursuant to the Ginnie Mae Certificates and amounts on deposit in the Bond Fund and accounts therein.

The Trustee shall give or cause to be given notice of any such declaration of acceleration to the respective Owners of the Bonds at their addresses appearing on the Bond Register. Notice of such declaration of acceleration having been given as aforesaid, anything to the contrary contained in the Indenture or in the Bonds notwithstanding, interest shall cease to accrue on such Bonds from and after the date established for payment of the Bonds pursuant to the declaration of acceleration if and to the extent that money to make such payment is on hand with the Trustee in any of the Funds on that date.

Remedies

(a) Upon the occurrence and during the continuance of an Event of Default the Trustee may proceed to protect and enforce its rights as the owner of the Ginnie Mae Certificates and the rights of the Owners by mandamus or other action, suit or proceeding at law or in equity for specific performance of any agreement in the Indenture contained; provided, however, that no Event of Default under the Indenture shall be deemed to be a default by the Borrower under the Mortgage Note.

(b) Upon the occurrence of an Event of Default, if requested to do so and upon written request by the Owners of the required percentage of the aggregate principal amount of the Bonds then Outstanding and if indemnified as provided in the Indenture, the Trustee shall exercise such one or more of the rights and powers conferred by the Indenture as the Trustee, upon being advised by counsel, shall deem most expedient in the interests of the Owners.

(c) No remedy conferred by the Indenture upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Owners under the Indenture or now or hereafter existing at law or in equity or by statute.

(d) No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or 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.

(e) No waiver of any default or Event of Default under the Indenture, whether by the Trustee pursuant to the Indenture or by the Owners, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Right of Owners to Direct Proceedings

Anything in the Indenture to the contrary notwithstanding, but subject to the rights of the Trustee under the Indenture to indemnification and payments of costs, the Owners of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the Indenture; provided, however, that such written direction shall not be otherwise than in accordance with the provisions of law and of the Indenture and provided, further, that the Owners of the Bonds shall look solely to the Trustee for the benefits of the Ginnie Mae Certificates and any payment of any claim on the Ginnie Mae Certificates may be made to the Trustee without any liability or accountability to the Owners to see to the application of the benefits of the Ginnie Mae Certificates.

Application of Money

All money received by the Trustee pursuant to any right given or action taken under the remedies provisions of the Indenture shall, after payment of the cost and expenses of the proceedings resulting in the collection of such money, the expenses (including its counsel), liabilities and advances incurred or made by the Trustee and the fees of the Trustee and the expenses of the Issuer in carrying out the Indenture, be applied to the payment of the principal and interest then due and unpaid on the Bonds, without preference or priority of principal over interest or of interest over principal, or of any Bond over any other, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified therein.

Remedies Vested in Trustee

All rights of action (including the right to file proof of claims) under the Indenture or under any of the Bonds, may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto and any such suit or proceeding

instituted by the Trustee may be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Owners of the Bonds, and any recovery of judgment shall be for the equal benefit of the Owners of the Outstanding Bonds.

Limitation on Suits

Except to enforce the rights given under the provisions of the Indenture described in the following paragraph, no Owner of any Bond shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or any other remedy under the Indenture, unless (a) a default has occurred and is continuing of which the Trustee has been notified in writing as provided in the Indenture, or of which it is deemed to have notice under the Indenture, (b) such default has become an Event of Default and the Owners of 25% of the aggregate principal amount of the Bonds then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (c) they have offered in writing to the Trustee indemnity as provided in the Indenture, (d) the Trustee has for 30 days after such written notice failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name, (e) no direction inconsistent with such written request has been given to the Trustee during such 30 day period by the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding, and (f) written notice of such action, suit or proceeding is given promptly to the Trustee; it being understood and intended that no one or more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the Indenture by its, his or their action or to enforce any right under the Indenture except in the manner provided in the Indenture, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided in the Indenture and for the equal benefit of the Owners of all Bonds then Outstanding. The notification, request and offer of indemnity set forth above shall, at the option of the Trustee, be conditions precedent to the execution of the powers and trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture or for any other remedy under the Indenture.

Unconditional Right to Receive Principal, Premium and Interest

Nothing in the Indenture shall affect or impair the right of any Owner to enforce, by action at law, payment of any Bond at and after the maturity thereof, or on the date fixed for redemption (subject to provisions regarding the notice of redemption and rescission of redemption of the Indenture) or (subject to the acceleration provisions of the Indenture) on the same being declared due prior to maturity, as in the Indenture provided, or the obligation of the Issuer to pay each Bond issued under the Indenture to the respective Owners thereof at the time, place, from the source and in the manner expressed in the Indenture and in the Bonds.

Termination of Proceedings

In case the Trustee or any Owners shall have proceeded to enforce any right under the Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owners, then and in every such case the Issuer, the Borrower, the Trustee and the Owners shall be restored to their former positions and rights under the Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Waivers of Events of Default

The Trustee may in its discretion waive any Event of Default under the Indenture and its consequences and rescind any acceleration of maturity of the Bonds, and shall do so at the written request

of the Owners of (a) a majority of the aggregate principal amount of the Bonds then Outstanding in respect of which default in the payment of principal, premium, if any, or interest exists, or (b) a majority of the aggregate principal amount of the Bonds then Outstanding in the case of any other default; provided, however, that:

(i) there shall not be waived without the prior written consent of the Owners of all Bonds then Outstanding any Event of Default in the payment of the principal of any Outstanding Bonds at maturity, or any default in the payment when due of the premium, if any, or interest on any such Bonds unless, prior to such waiver or rescission,

(A) there shall have been paid or provided for all arrears of interest in respect of which such default shall have occurred, all arrears of principal and premium, if any, and all expenses of the Trustee in connection with such default, and

(B) in case of any such waiver or rescission or in case of any discontinuance, abandonment or adverse determination of any proceeding taken by the Trustee on account of any such default, the Issuer, the Trustee and the Owners shall be restored to their former positions and rights under the Indenture, and

(ii) no acceleration of maturity under the Indenture made at the request of the Owners of 25% of the aggregate principal amount of the Bonds then Outstanding shall be rescinded unless requested in writing by the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding.

No such waiver or rescission shall extend to any subsequent or other default or impair any right consequent thereon.

After any such waiver, the Trustee shall restore the balance in each fund or account to its level prior to the occurrence of the Event of Default from and to the extent of money transferred from such fund or account as result of the occurrence of such Event of Default and not disbursed in accordance with the Indenture.

Notice of Certain Defaults: Opportunity of Issuer and Borrower to Cure Such Defaults

Anything in the Indenture to the contrary notwithstanding, no event described in the Indenture shall constitute an Event of Default until written notice of such event shall be given (a) by the Trustee to the Issuer, the Lender and the Borrower or (b) by the Owners of not less than 25% in aggregate principal amount of all Bonds Outstanding to the Issuer, the Lender, the Borrower and the Trustee, and, in either case, until the Issuer, the Lender and the Borrower shall have had 60 days after receipt of such notice to correct such event or cause such event to be corrected and shall not have corrected such event or caused such event to be corrected within 60 days of the giving of such notice, provided, however, if (i) such event is of such a nature that it cannot be corrected within such 60 day period or (ii) in the opinion of Bond Counsel, a longer cure period does not adversely affect the validity of the Bonds or the exclusion from gross income of interest thereon for purposes of federal income taxation, such event shall not constitute an Event of Default under the Indenture if corrective action is instituted by the Issuer, the Lender or the Borrower within such 60 day period and diligently pursued until such event is corrected.

Supplemental Indentures Not Requiring Consent of Owners

The Indenture shall not be supplemented or amended in any respect subsequent to the initial issuance of the Bonds, except as provided in and in accordance with and subject to the provisions of the

Indenture. Subject to the rights of the Trustee, the Lender and the Borrower under certain provisions of the Indenture, the Issuer and the Trustee may from time to time and at any time, without the consent of or notice to any of the Owners, but upon 10 days' prior written notice to the Borrower and the Lender, enter into Supplemental Indentures for the following purposes:

- (a) to cure any formal defect, omission, inconsistency or ambiguity in the Indenture in a manner not adverse to the Owner of any Bond;
- (b) to impose on the Trustee (with its consent) for the benefit of the Owners any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (c) to add to the covenants and agreements of, and limitations and restrictions upon, the Issuer in the Indenture other covenants, agreements, limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (d) to subject to the Indenture additional revenues, properties or collateral;
- (e) to modify, amend or supplement the Indenture in such manner as required to permit the qualification of the Indenture and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or state securities ("Blue Sky") law, and, if they so determine, to add to the Indenture such other terms, conditions and provisions as may be required by such Trust Indenture Act of 1939, as amended, or similar federal statute or state securities law;
- (f) to make any change required by the Rating Agency in connection with obtaining and maintaining a rating on the Bonds;
- (g) to authorize different denominations of the Bonds and to make correlative amendments and modifications to the Indenture regarding exchangeability of Bonds of different Authorized Denominations, redemptions of portions of Bonds of particular Authorized Denominations and similar amendments and modifications of a technical nature;
- (h) to make such changes as are required to provide for the conversion of the Bonds to certificated form;
- (i) to make such changes as are elsewhere expressly permitted by the Indenture;
- (j) to make any other change in the Indenture which will not adversely affect in any material respect the rights of the Owners of the Bonds then Outstanding; and
- (k) to make any changes that will become effective only at the time when no Bonds remain Outstanding and that are not described in the Indenture.

Before the Issuer and the Trustee shall adopt any such Supplemental Indenture pursuant to this subsection or simultaneously with such adoption, there shall be or have been delivered to the Issuer and the Trustee an Opinion of Bond Counsel, stating that such Supplemental Indenture is authorized or permitted by the Indenture and will, upon the execution and delivery thereof, be valid and binding upon

the Issuer in accordance with its terms and will not, in and of itself, adversely affect the excludability of the interest on the Bonds from gross income of the Owners for federal income tax purposes.

Supplemental Indentures Requiring Consent of Owners

Exclusive of Supplemental Indentures described immediately above and subject to the terms and provisions contained in the Indenture, the Owners of two thirds in aggregate principal amount of the Bonds then Outstanding shall have the right from time to time, notwithstanding any other provision of the Indenture, to consent to and approve the execution by the Issuer and the Trustee of such other indenture or indentures supplemental to the Indenture as shall be deemed necessary or 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 or in any Supplemental Indenture; provided, however, that nothing in the Indenture shall permit, or be construed as permitting (a) (i) an extension of the maturity of the principal of or the interest on any Bond, or (ii) a reduction in the principal amount of or premium, if any, on any Bond or the rate of interest thereon, or (iii) an extension of time or a reduction in amount of any payment required by any sinking fund that may be applicable to any Bonds, or (iv) a privilege or priority of any Bond over any other Bond, or (v) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture, without the consent and approval of the Owners of all of the Bonds then Outstanding, or (b) any change in the provisions of the Indenture concerning disposition of a Ginnie Mae Certificate, without the consent of the Owners of all the Bonds.

If at any time the Issuer shall request the Trustee in writing to enter into any such Supplemental Indenture for any of the aforesaid purposes as provided in the Indenture, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be sent to the Lender, the Borrower and to each Owner of Bonds then Outstanding by registered or certified mail to the address of such Owner as it appears on the registration books; provided, however, that failure to give such notice to the Owners of Bonds then Outstanding, or any defect therein, shall not affect the validity of any proceedings pursuant to the Indenture. Such notice, which at the request of the Trustee shall be prepared by the Issuer, shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Owners. If, within 60 days or such longer period as shall be prescribed by the Issuer following the giving of such notice, the Owners of two thirds in aggregate principal amount of the Bonds then Outstanding shall have consented to and approved the execution thereof as in the Indenture provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing such Supplemental Indenture or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as permitted and provided as aforesaid in the Indenture, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

Amendment by Unanimous Consent

The Issuer and the Trustee may enter into any indenture supplemental to the Indenture upon receipt of the consent of the Owners of all Bonds then Outstanding, subject to the provisions of the Indenture described below.

Opinion of Counsel and Consent of Borrower and Lender Required

(a) Notwithstanding any other provision of the Indenture, the Trustee shall not execute any indenture supplemental to the Indenture unless there shall have been filed with the Trustee an Opinion of Bond Counsel stating that such Supplemental Indenture is authorized or

permitted by the Indenture, that upon execution such Supplemental Indenture will be valid and binding on the Issuer in accordance with its terms, and that giving effect to such Supplemental Indenture will not in and of itself, adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes

(b) Notwithstanding any other provision of the Indenture, the Trustee shall not, without the written consent of the Borrower so long as the Borrower is not in default under any of the Financing Documents or any of the Mortgage Loan Documents, execute any indenture supplemental to the Indenture which adversely affects in any material respect any rights of the Borrower. In addition, the Trustee shall not, without the written consent of the Lender, execute any indenture supplemental to the Indenture which (i) adversely affects any rights of the Lender, (ii) modifies the provisions of the Indenture prior to delivery of the Project Loan Certificate, or (iii) modifies the HUD Override Provisions of the Indenture. The Trustee shall be entitled to rely on an Opinion of counsel in determining whether any amendment adversely affects the rights of the Borrower or the Lender.

Trustee's Rights Regarding Supplemental Indentures and Amendments to Loan Agreement and Ginnie Mae Certificates

If the Trustee in its discretion believes that such action is or may be materially adverse to the interest of the Owners of the Bonds or, except for amendments to the Indenture or changes or modifications of the Indenture required by the Rating Agency in connection with issuing a rating of "AAA" for the Bonds, increases the duties and/or liabilities of the Trustee, the Trustee shall not be required to enter into any Supplemental Indenture permitted by the Indenture or to consent to any amendment, change or modification of the Loan Agreement or the Ginnie Mae Certificates permitted by the Indenture.

Amendment of Loan Agreement and Ginnie Mae Certificates Not Requiring Consent of Owners

Subject to the provisions of the Indenture, the Issuer and the Trustee may, without the consent of or notice to the Owners, consent to any amendment, change or modification of the Ginnie Mae Certificates or the Loan Agreement as may be required:

- (a) by the provisions of, or as contemplated in, the Loan Agreement, the Ginnie Mae Certificates or the Indenture;
- (b) for the purpose of curing any ambiguity or formal defect or omission therein;
- (c) to make any change therein that may be required by Ginnie Mae or HUD to conform such instruments to the requirements of applicable federal law or regulations and/or the terms of the Mortgage Loan Documents or the Ginnie Mae Documents;
- (d) to make any change therein required by the Rating Agency in connection with obtaining and maintaining a rating on the Bonds; or
- (e) to make any other change therein which will not adversely affect in any material respect the rights of the Owners of the Bonds then Outstanding.

Amendments of Loan Agreement and Ginnie Mae Certificates Requiring Consent of Owners

Except for amendments, changes or modifications described immediately above, neither the Issuer nor the Trustee shall consent to any amendment, change or modification of the Loan Agreement or the Ginnie Mae Certificates without the written approval or consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding given and procured as provided in the Indenture. If at any time the Issuer and the Borrower shall request in writing the consent of the Trustee to any such proposed amendment, change or modification, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided by the Indenture with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that a copy of the instrument embodying the same is on file at the Principal Office of the Trustee for inspection by all Owners.

Amendment by Unanimous Consent

Notwithstanding any other provision of the Indenture, the Issuer and the Trustee may consent to any amendment, change or modification of the Loan Agreement or the Ginnie Mae Certificates upon receipt of the consent of the Owners of all Bonds then Outstanding.

Opinion of Counsel Required

The Trustee shall not consent to any amendment, change or modification of the Loan Agreement or the Ginnie Mae Certificates (except for extensions of the maturity date of the Construction Loan Certificates in accordance with the Indenture) unless there shall have been filed with the Trustee an Opinion of counsel that such amendment, change or modification is authorized or permitted by the Indenture and that an Opinion of Bond Counsel that such amendment, change or modification will not, in and of itself, adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes.

Subordination of Indenture; Supremacy of Mortgage Loan Documents, HUD Requirements and Ginnie Mae Requirements (collectively, the “HUD Override Provisions”)

So long as the FHA Insurance on the Mortgage Note remains in effect or any mortgage loan encumbering the Project is insured or held by HUD, notwithstanding anything in the Indenture or any other Financing Document to the contrary:

(a) In the event of any conflict between any provision contained elsewhere in the Indenture or in any other Financing Document and any provision contained in the HUD Override Provisions of the Indenture, the provision contained in the HUD Override Provisions of the Indenture shall govern and be controlling in all respects.

(b) The provisions of the Indenture and the other Financing Documents are subject and subordinate to the National Housing Act, all other applicable HUD Requirements, the Mortgage Loan Documents, all applicable Ginnie Mae Requirements and the Ginnie Mae Documents; and in the event of any conflict between (i) the provisions of the Indenture or the provisions of any of the other Financing Documents and (ii) the provisions of the National Housing Act, any other applicable HUD Requirements, the Mortgage Loan Documents, any applicable Ginnie Mae Requirements, and/or the Ginnie Mae Documents, then the National Housing Act, HUD Requirements, Mortgage Loan Documents, Ginnie Mae Requirements and Ginnie Mae Documents shall be controlling in all respects.

(c) No amendment to the Indenture or any of the other Financing Documents shall be made if such amendment would result in a conflict with the National Housing Act, any applicable HUD Requirements, Ginnie Mae Requirements, the Mortgage Loan Documents or the Ginnie Mae Documents.

(d) Enforcement of the provisions of the Indenture or the provisions or any of the other Financing Documents shall not result in any claim under the Mortgage Loan, or any claim against the Project, the Mortgage Loan proceeds, any reserve or deposit made with the Lender or another person or entity required by HUD or the Lender in connection with the Mortgage Loan transaction, or against the rents or other income from the Project (other than available Surplus Cash, if any).

(e) The Borrower shall not be deemed to be in violation of the Indenture or any other Financing Documents if it shall take (or refrain from taking) any actions required (or prohibited) by HUD pursuant to the National Housing Act, other applicable HUD Requirements, the Mortgage Loan Documents, applicable Ginnie Mae Requirements and the Ginnie Mae Documents.

(f) The HUD Override Provisions of the Indenture shall inure to the benefit of the Borrower, Lender and HUD, and their respective successors and assigns.

(g) Any assignment, transfer or pledge of the Mortgage Loan or a participation in the Mortgage Loan by way of a participation or other arrangement which may be made pursuant to the terms of the Indenture or any of the other Financing Documents shall be made in accordance with the National Housing Act and the HUD regulations, including specifically 24 C.F.R. 207.261 or any successor regulation. Any assignment, transfer or pledge not made in accordance with the terms described in this subparagraph and said HUD regulations shall be void.

(h) A default under the Indenture or any other Financing Document shall not constitute a default under the Mortgage Note, Mortgage or any other Mortgage Loan Document.

(i) Nothing contained in the Indenture or any other Financing Document shall restrict or adversely affect the duties and obligations of the Lender under the contract of mortgage insurance between the Lender and HUD.

(j) Project funds held by the Lender on behalf of the Borrower under the contract of mortgage insurance are required to be maintained separate and apart from the funds established and held for payments to the Owners and the various escrows and funds under the Indenture and the other Financing Documents.

(k) Except for funds held under the Indenture, any pledge of Project funds for the benefit of the Owners is limited to a pledge of principal and interest payments received by the Trustee on the Ginnie Mae Certificates. There is no pledge of gross revenues of the Project or any Project assets.

(l) The Lender will maintain certain HUD required escrow funds outside the terms of the Indenture. The enforcement of the Indenture will not result in the Trustee or any Borrower having any right to, interest in, or claim against any HUD required escrow fund, the Project, the Mortgage Loan proceeds, any reserve or deposit required by HUD in connection with the Mortgage Loan transaction, or the rents or other income from the Project (other than available Surplus Cash, if any).

(m) The Bonds are not a debt of the United States of America, HUD, Ginnie Mae or any other governmental agency and are not guaranteed by the full faith and credit of the United States.

(n) In the event that proceeds are received from a condemnation award or from the payment of a claim under a hazard insurance policy, early redemption of the Bonds can occur only subsequent to a prepayment of the insured Mortgage Loan.

(o) The Indenture does not provide for the creation of a project reserve for replacement.

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

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

General

The Loan Agreement contains a number of representations and covenants by the Issuer, by the Borrower and by the Lender customary in similar tax-exempt bond financed mortgage loan transactions, including, without limitation, a number of representations by the Borrower as to certain requirements of the Code and a number of covenants of the Borrower that must be continuously complied with in order to maintain the exclusion from gross income of interest on the Bonds for purposes of federal income taxation under the Code, as well as a number of representations and covenants by the Borrower and by the Lender related to the HUD Requirements with respect to the Mortgage Loan and the Ginnie Mae Requirements related to the Ginnie Mae Certificates.

Acquisition of Ginnie Mae Certificates and Funding Mortgage Loan Draws

(a) Terms. The Loan Agreement requires that all Ginnie Mae Certificates issued with respect to the Mortgage Loan shall be dated the first day of the month in which such Ginnie Mae Certificates are issued and shall pay interest on the fifteenth (15th) day of each month commencing the fifteenth (15th) day of the month following the month of the date of issue. Each Construction Loan Certificate shall pay interest to and including the earlier of the last day of the calendar month immediately preceding the Construction Loan Certificate Maturity Date (as such date may be extended) or the day immediately preceding the date on which the Project Loan Certificate is dated. Each Construction Loan Certificate shall mature on or before the Construction Loan Certificate Maturity Date. Each Ginnie Mae Certificate shall bear interest at the Pass-Through Rate.

(b) Purchase Price and Delivery of the Ginnie Mae Certificates.

(i) Construction Loan Certificates. The Loan Agreement provides that, with respect to the Initial Advance and any other advance of the Mortgage Loan initially funded by the Lender from a source other than proceeds of the Bonds deposited in the Construction Fund under the Indenture, the Lender shall use reasonable efforts to cause to be delivered by the Lender Nominee, the related Construction Loan Certificate to the Trustee or its nominee as soon as practicable. Simultaneously with the receipt by the Trustee or its nominee of the Construction Loan Certificate in such cases (with sufficient written notice by the Lender to the Trustee to permit liquidation of the necessary Permitted Investments, and otherwise as soon as practicable), the Trustee shall pay, through DVP Settlement, the Lender Nominee in immediately available

funds an amount equal to the principal amount thereof, plus accrued interest from its dated date through the day prior to its delivery to the Trustee or its nominee. The maximum principal amount of the Construction Loan Certificates purchased by the Trustee or its nominee shall not exceed the original stated principal amount of the Mortgage Loan.

In the event the Trustee does not receive the certificate of the Borrower contemplated by the Loan Agreement with respect to the advance of Mortgage Loan proceeds or in the event funds remain in the Bond Proceeds Account after August 16, 2013, the Trustee shall disburse funds to acquire the Construction Loan Certificates in accordance with the immediately preceding subparagraph (i) and the Indenture.

(ii) **The Project Loan Certificate.** The Loan Agreement provides that the Lender agrees to use reasonable efforts to cause to be delivered the Project Loan Certificate to the Trustee or the Trustee's nominee in exchange for cancellation of the Construction Loan Certificate as soon as practicable after (A) Final Endorsement, (B) acquisition of the Final Endorsement Construction Loan Certificate, if any, by the Trustee or its nominee, and (C) the date of issue of the Project Loan Certificate; provided, however, that if the principal amount of the Mortgage Loan at Final Endorsement is less than the principal amount of outstanding Construction Loan Certificates, the Construction Loan Certificates shall be prepaid by the Lender in the amount of such difference prior to conversion of the Construction Loan Certificates to the Project Loan Certificate and the Trustee shall deposit any such prepayment of the Construction Loan Certificates as set forth in the Indenture. Subject to receipt of any amount due under the preceding sentence, the Trustee will execute and deliver such documents as may be reasonably requested in writing by the Lender to effect the cancellation of the Construction Loan Certificates in exchange for the Project Loan Certificate. Payments of principal on the Mortgage Loan which are due on or before the date of the Project Loan Certificate shall be retained by Lender and shall not be paid to the Trustee or its nominee except as provided in the Indenture. The amount of the Project Loan Certificate shall be equal to the Final Project Loan Certificate Amount. In the event that the amount of the Project Loan Certificate is reduced pursuant to clause (c) of the definition of Final Project Loan Certificate Amount, then, on or after the date of issue of the Final Endorsement Construction Loan Certificate or the Project Loan Certificate, the Lender may issue one or more additional Ginnie Mae construction loan certificates and/or permanent loan certificates backed by the Mortgage Loan in an amount not to exceed the amount set forth in said clause (c); provided, however, that the Trustee shall not purchase any such additional Ginnie Mae construction loan certificates and/or permanent loan certificates. Subject to the foregoing, the Trustee shall reasonably cooperate with the Lender in connection with the issuance of any such additional Ginnie Mae construction loan certificates and/or permanent loan certificates. The maximum principal amount of the Project Loan Certificate purchased by the Trustee or its nominee shall not exceed the original stated principal amount of the Mortgage Loan. The Lender shall provide to the Bondowners a copy of the revised GNMA Prospectus for the Project Loan Certificate, if any, upon issuance of the Project Loan Certificate and a copy of the Mortgage Note as finally endorsed.

(c) **Funding of Initial Advance from the Construction Fund.** In addition to the requirements set forth above, the Loan Agreement requires that the Trustee shall not advance money from the Construction Fund to acquire the Initial Construction Loan Certificate unless it has received:

(i) the Initial Construction Loan Certificate representing the Initial Advance with the correct rate and term in accordance with the Loan Agreement; and

(ii) a conformed copy of the fully executed Mortgage and Mortgage Note and a copy of the GNMA Prospectus for the Ginnie Mae Certificates.

(d) Funding of Final Endorsement Advance from the Construction Fund. The Trustee shall advance funds from the Construction Fund, in accordance with the procedures set forth in the Loan Agreement, to acquire the Final Endorsement Construction Loan Certificate against delivery of the Final Endorsement Construction Loan Certificate to the Trustee or its nominee. The amount of the Final Endorsement Construction Project Loan Certificate, if any, will be equal to (i) the Final Project Loan Certificate Amount minus (ii) the outstanding principal amount of all other Construction Loan Certificates.

(e) Funding of Other Advances from the Construction Fund. Under the Loan Agreement, except for the Initial Advance, after receipt of the Initial Construction Loan Certificate, the Trustee shall disburse money available therefor in the Construction Fund (and the Bond Fund with respect to accrued interest, if any) to the Lender to make subsequent advances on the Mortgage Loan if the Trustee has received (1) all the Construction Loan Certificates representing prior advances (and all payments due thereon) and (2) the Construction Loan Certificate relating to and in the amount of such advance (subject to a rounding convention of \$1.00 and, with respect to the Final Endorsement Construction Loan Certificate, in the amount provided in the Loan Agreement).

(f) Continuing Purchase of Ginnie Mae Certificates. Notwithstanding anything to the contrary in the Loan Agreement or in the Indenture, the Loan Agreement provides that the Trustee must continue to purchase the Ginnie Mae Certificates in accordance with the Loan Agreement and the Indenture from the Lender if the payments on the Ginnie Mae Certificates are then current.

Amounts Payable by the Borrower

(a) Under the Loan Agreement, the Borrower covenants to make payments required by the Mortgage Note, as and when the same become due. The Borrower covenants that, for so long as the Bonds are outstanding and except as otherwise contemplated by the Loan Agreement or by the Indenture, or as may be required by HUD, it will not execute any amendment to the Mortgage Note that results in a decrease in the amount payable thereunder without the consent of the Owners of all of the Bonds Outstanding on the effective date of such amendment.

(b) The Loan Agreement provides that, to the extent not paid pursuant to the Mortgage Note or the Indenture, the Borrower also shall pay, or cause to be paid, as and when the same become due: (1) to the Trustee, the Trustee Fees as provided in the Indenture (subject to the limitations in the Indenture or the Loan Agreement) and expenses reasonably incurred by it as Trustee under the Indenture, including without limitation the reasonable fees and expenses of its counsel, all charges for exchange or registration of transfer of Bonds and all other such amounts which the Borrower in the Loan Agreement assumes or agrees to pay, including any cost or expense necessary to cancel and discharge the Indenture upon payment in full of the Bonds; (2) to the Trustee the amount, if any, required to pay the principal of and interest on the Bonds when due (including without limitation such amounts resulting from “negative arbitrage” on the investment of Bonds proceeds); (3) to the Issuer or to any payee designated by the Issuer, the Issuer Fees and all expenses of the Issuer, its agents or employees reasonably incurred at any time related to the Bonds or the Project or the financing thereof, including, without limitation, legal and advisory fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Project or the Bonds or in connection with questions or other matters arising under such documents, which amounts described in this clause (3) shall be paid upon demand and in any event no later than thirty (30) days after receipt of request for payment thereof; (4) to Bond Counsel, the reasonable fees and expenses of Bond Counsel incurred after the Closing Date in connection with the Bonds or any Financing Documents at the request of the Issuer, the Trustee, the Lender or the Borrower; (5) to the Rebate Analyst, the Rebate Analyst’s Fees and any reasonable expenses of calculating the Rebate Amount; (6) to the Trustee, any Rebate Amount; (7) to FHA, Ginnie

Mae and the Lender all fees and expenses associated with obtaining FHA and Ginnie Mae approvals necessary for the issuance of the FHA Commitment and the Ginnie Mae Certificates (8) to the Dissemination Agent, the Dissemination Agent Fees and any other fees and expenses payable under the Continuing Disclosure Agreement and (9) to the respective payee, any other Administrative Fees payable in accordance with the Indenture; provided, however, that the aggregate of all such amounts paid to the Issuer in such capacity, or to the Trustee on its behalf (which shall not include any fees and expenses of the Trustee), shall not equal or exceed an amount which would cause the “yield” on any “purpose investment” to be “materially higher” than the “yield” on the Bonds, as such terms are defined in the Code.

The Loan Agreement provides that, without limiting in any way the obligation of the Borrower to pay all Administrative Fees and all Additional Administrative Fees (including without limitation, the amount by which any such Administrative Fees are reduced as a result of any unscheduled prepayment of the principal amount of the Ginnie Mae Certificates) payable to the Issuer, the Trustee, the Dissemination Agent or the Rebate Analyst, in the event any Administrative Fees or Additional Administrative Fees or any portion thereof is not paid when due, or is not paid in the amount otherwise due, as a result of any restriction or requirement under the Mortgage Loan Documents, any HUD Requirements or any Ginnie Mae Requirements, then such Administrative Fees or Additional Administrative Fees or portion thereof nonetheless shall be payable on behalf of the Borrower thereafter promptly when permitted by the Mortgage Loan Documents, HUD Requirements and Ginnie Mae Requirements, including, without limitation, from “Surplus Cash” as defined in the HUD Regulatory Agreement.

Prepayment of Loan

Under the Loan Agreement, the Issuer and the Trustee acknowledge that the Borrower shall have the option to prepay the Mortgage Loan in full or in part prior to the payment and discharge of all the Outstanding Bonds, but only in accordance with the provisions of the Mortgage Note.

Absolute Obligations of Borrower

(a) Under the Loan Agreement, the obligation of the Borrower to make payments on the Mortgage Note, to make all other payments provided for in the Loan Agreement and to perform and observe the other agreements and covenants on its part contained in the Loan Agreement shall be absolute and unconditional, irrespective of any defense or any rights of setoff, recoupment or counterclaim it might otherwise have against the Issuer, the Trustee, the Lender or any other person. Subject to prepayment of the Mortgage Note in full and termination as provided in the Loan Agreement, the Borrower shall not suspend or discontinue any such payment under the Loan Agreement or on the Mortgage Note (any reamortization of the payments on the Mortgage Note in accordance with the Indenture and the Mortgage shall not constitute a suspension or discontinuance of payments on the Mortgage Note) or fail to perform and observe any of its other agreements and covenants contained in the Loan Agreement or terminate the Loan Agreement for any cause, including, without limiting the generality of the foregoing, any acts or circumstances that may deprive the Borrower of the use and enjoyment of the Project, failure of consideration or commercial frustration of purpose, any damage to or destruction of the Project or any part thereof, the taking by eminent domain of title to or the right to temporary use of all or any part of the Project, any change in the tax or other laws of the United States of America, the State or any political or taxing subdivision of either thereof, or any failure by the Issuer to perform and observe any agreement or covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with the Loan Agreement.

(b) The Loan Agreement provides that, notwithstanding any provisions in the Loan Agreement or any of the other Financing Documents to the contrary, enforcement of the provisions of the

Loan Agreement or any of the other Financing Documents shall not result in any claim against the Project, the mortgaged property, Mortgage Loan proceeds, any reserve or deposit required by HUD or the Lender in connection with the Mortgage Loan, or the rents or other income from the Project (other than available Surplus Cash, if any), and the liability of the Borrower for any breach or default by or obligation of the Borrower under the Loan Agreement or any of the other Financing Documents shall be limited to the available Surplus Cash, if any. By execution of the Loan Agreement, each of the Issuer and Trustee affirms that no pledge has been made and that it has no claim, and will not later assert any claim, against the mortgaged property, the Mortgage Loan proceeds, any reserve or deposit made with the Lender or required by HUD in connection with the Mortgage Loan transaction or against the income from the mortgaged property for payment of any obligation contained in the Loan Agreement or in any of the other Financing Documents; provided, however, that nothing in this provision or elsewhere in the Loan Agreement or any of the other Financing Documents shall alter, affect or diminish the rights of the Lender under the Mortgage Loan Documents.

Rights Assigned

The Loan Agreement provides that all the Issuer's rights under the Loan Agreement (except its Reserved Rights) are assigned by the Indenture to the Trustee. Under the Loan Agreement, the Borrower and the Lender consent to such assignment.

Operation of the Project

(a) Under the Loan Agreement, the Borrower is required to operate or cause the Project to be operated as a qualified multifamily residential rental project under Section 221(d)(4) of the National Housing Act and in accordance with the requirements of Section 142(d) of the Code and the Act.

(b) The Loan Agreement requires that all work performed in connection with the Project shall be performed in strict compliance with all applicable federal, state and municipal laws, ordinances, rules and regulations now in force or that may be enacted hereafter.

Certain Other Covenants

In addition, the Loan Agreement contains a number of covenants related to, without limitation, the following: the Issuer's, the Lender's and the Trustee's inspection rights with respect to the Project and the Borrower's records; the financial records to be maintained by the Borrower; the Borrower's financial statements; certain indemnification obligations of the Borrower; certain hazardous waste covenants of the Borrower; and the management of the Project by the Manager.

Event of Default Defined

The Loan Agreement provides that an Event of Default shall occur thereunder if:

(a) The Borrower fails to comply with certain provisions of the Loan Agreement with respect to Letters of Credit and certain equity deposits;

(b) The Borrower shall default in the performance of any covenant, agreement or obligation under the Loan Agreement and such default remains uncured for a period of 30 days after written notice thereof shall have been given by the Issuer, the Lender or the Trustee to the Borrower;

(c) An Event of Default under the Indenture shall occur and be continuing;

(d) Any warranty, representation or other statement made by or on behalf of the Borrower contained in the Loan Agreement, the Tax Regulatory Agreement, the Tax Regulatory Agreement or the Indenture or in any instrument furnished in connection with the issuance or sale of any Bonds was false or misleading in any material respect at the time it was made; or

(e) An Act of Bankruptcy of the Borrower.

The Loan Agreement provides that, notwithstanding the foregoing, no Event of Default under the Loan Agreement shall constitute (i) an event of default under the Bonds, or (ii) a default under any of the Mortgage Loan Documents, unless the facts and circumstances giving rise to such Event of Default constitute a default under the Mortgage Loan Documents.

Remedies on Default

(a) The Loan Agreement provides that upon the occurrence of an Event of Default under the provisions of the Loan Agreement described in subparagraph (b) immediately above, the Issuer and the Trustee shall look solely to the Borrower for the payment of all sums or the performance of all or any part of the monetary obligations due or incurred as a result of such Event of Default (subject to the limitations described in “SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT—Absolute Obligations of the Borrower” above).

(b) Under the Loan Agreement, in addition to the remedies granted to the Issuer and the Trustee thereunder, the Issuer, or the Trustee acting on behalf of the Issuer, may take any one or more of the following steps:

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

(ii) require the Borrower to pay to the Issuer an amount equal to the rent or other amounts received by the Borrower for any units in the Project which were in violation of the Loan Agreement or the Tax Regulatory Agreement during the period such violation continued; and

(iii) except as provided in the Loan Agreement, take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower under the Loan Agreement.

(c) The Loan Agreement provides that the Issuer and the Trustee shall cooperate in any action taken by the other with respect to the Loan Agreement to enforce the covenants contained therein. The Borrower shall pay all reasonable costs and expenses that may be incurred by the Issuer or the Trustee in connection with the exercise of such rights.

Under the Loan Agreement, the Issuer or the Trustee may employ, at the sole and reasonable expense of the Borrower, an attorney in fact or agent acceptable to the Issuer or the Trustee, as the case may be, for the purpose of enforcing any covenants made by the Borrower under the Loan Agreement, and the Issuer shall permit any such enforcement action to be brought in the name of the Issuer if necessary to enforce such covenants.

(d) The Loan Agreement provides that, notwithstanding the provisions described above, during the period the FHA Insurance is in force and effect, neither the Issuer nor the Trustee shall take any action in connection with the enforcement of the Loan Agreement which would result in any claim against FHA under the Mortgage Note, or any claim against the Project, the mortgaged property, Mortgage Loan proceeds, any reserve or deposit made with the Lender or another person or entity required in connection with the FHA endorsement of the Mortgage Note for insurance under Section 221(d)(4) of the National Housing Act, or the rents or other income from the Project.

No Remedy Exclusive

No remedy under the Loan Agreement is intended to be exclusive of any other remedy, and every remedy shall be cumulative and in addition to every other remedy in the Loan Agreement or now or hereafter existing at law, in equity or by statute. No delay or failure to exercise any right or power accruing upon an Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, and any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee to exercise any remedy reserved to it in the Loan Agreement, it shall not be necessary to give any notice, other than such notice as may be expressly required in the Loan Agreement.

HUD Requirements

The Loan Agreement provides that the provisions of the Loan Agreement are subject and subordinate to the National Housing Act, and all other applicable HUD Requirements, the Mortgage Loan Documents, all applicable Ginnie Mae Requirements and the Ginnie Mae Documents; and in the event of any conflict between the provisions of the Loan Agreement and the provisions of the National Housing Act, any HUD Requirements, the Mortgage Loan Documents, any applicable Ginnie Mae Requirements and/or the Ginnie Mae Documents, the HUD Requirements, Mortgage Loan Documents, Ginnie Mae Requirements and Ginnie Mae Documents shall be controlling in all respects.

Supremacy of Mortgage Loan Documents, HUD Requirements and Ginnie Mae Requirements (collectively, the “HUD Override Provisions”).

The Loan Agreement provides that the provisions of the Loan Agreement described under this subheading shall remain effective for so long as the Mortgage Loan, or any other mortgage loan encumbering the Project that is insured or held by HUD, remains in full force and effect. In the event the terms of the Loan Agreement shall conflict with the Mortgage Loan Documents, applicable HUD Requirements, the Ginnie Mae Documents or applicable Ginnie Mae Requirements, such Mortgage Loan Documents, HUD Requirements, the Ginnie Mae Documents and Ginnie Mae Requirements shall control. The Loan Agreement provides that, notwithstanding any other provision of the Loan Agreement to the contrary, it is expressly agreed by the Borrower, the Trustee and the Issuer as follows:

(a) in the event of a foreclosure of the Mortgage or a transfer of title by deed-in-lieu of foreclosure to the holder of the Mortgage or to a person other than the Borrower or any “related person” within the meaning of the Code and the retirement of the Bonds within a reasonable time thereafter, the Loan Agreement shall automatically terminate;

(b) the failure of the Borrower to comply with the provisions of the Loan Agreement cannot be nor will be deemed by the Borrower, the Issuer or the Trustee to be the basis of a default under the Mortgage;

(c) enforcement of the provisions of the Loan Agreement will not result in any claim by the Issuer or the Trustee against the Project, the proceeds of the Mortgage, any reserve or deposit required by FHA in connection with the Mortgage Loan transaction, or the rents or income from the Project (other than available Surplus Cash, if any);

(d) any amendment to the Loan Agreement shall be contingent upon the prior written approval of HUD, if required;

(e) any of the provisions set forth in the Loan Agreement which require the Borrower to take any action necessary to preserve the tax-exemption of the interest on the Bonds or prohibiting the Borrower from taking any action that might jeopardize the tax-exemption, are qualified to except therefrom actions required or prohibited by FHA pursuant to Section 221(d)(4) of the National Housing Act;

(f) the Borrower and the Issuer agree that the Loan Agreement is subordinate to all applicable provisions of the National Housing Act, the other HUD Requirements, the Mortgage and the other Mortgage Loan Documents;

(g) no failure on the part of the Borrower to comply with the provisions of the Loan Agreement shall serve as a basis for a default on the Mortgage Loan or any of the Mortgage Loan Documents;

(h) enforcement of the provisions of the Loan Agreement shall not result in any claim under the Mortgage Loan, or any claim against the Project, Mortgage Loan proceeds, any reserve or deposit made with the Lender or another person or entity required by HUD or the Lender in connection with the Mortgage Loan transaction or against the rents or other income from the Project (other than available Surplus Cash, if any);

(i) the Borrower shall not be deemed to be in violation of the Loan Agreement if it shall take (or refrain from taking) any actions required (or prohibited) by HUD pursuant to the National Housing Act, applicable HUD Requirements, the Mortgage Loan Documents, applicable Ginnie Mae Requirements and the Ginnie Mae Documents; and

(j) in consideration of HUD's agreeing to insure the Mortgage Loan, and in reliance by HUD upon the promises of the Borrower and the Issuer to comply herewith, HUD has reserved the right to require the Issuer to unilaterally (without the consent of the Borrower, the Lender or the Trustee) remove or void any restrictions in excess of those necessary to ensure tax-exemption for the Bonds and continued eligibility of the federal tax credits relating to the Project upon a written determination by HUD that the excess restriction(s) is (are) threatening the financial viability of the Project (i.e., impairing the Borrower's ability to sustain a level of income sufficient to meet all financial obligations of the Project, including debt service costs, HUD-required escrows, and Project operating expenses); in the absence of the Issuer's compliance with a written request from HUD to take appropriate action to unilaterally remove or void the aforesaid excess restriction(s), HUD shall have the right and authority under the provisions of the Loan Agreement described under this subheading to unilaterally remove or void such excess restriction(s).

SUMMARY OF CERTAIN PROVISIONS OF THE TAX REGULATORY AGREEMENT

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

Definitions and Interpretation

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

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

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

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

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

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

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

“City” means the City and County of San Francisco, California.

“Closing Date” means August 17, 2010, the date the Bonds are issued and delivered to the initial purchaser thereof.

“County” means the City and County of San Francisco, 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 as Exhibit B to the Regulatory Agreement or in such other comparable form as may be provided by the Issuer to the Borrower, or as otherwise approved by the Issuer.

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

“Low Income Unit” means any Available Unit if the aggregate Gross Income of all tenants therein does not exceed limits determined in a manner consistent with determinations of “low-income families” under Section 8 of the Housing Act, provided that the percentage of median gross income that qualifies as low income under the Regulatory Agreement shall be fifty percent (50%) of median gross income for the Area, with adjustments for family size. If all the occupants of an Available Unit are students (as defined under Section 151(c)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, the unit shall not constitute a Low Income Unit. The determination of an Available Unit’s status as a Low Income Unit shall be made by the Borrower upon commencement of each lease term with respect to such unit, and annually thereafter, on the basis of an Income Certification executed by each tenant.

“Manager” means a property manager meeting the requirements of the Regulatory Agreement.

“Project” means the 94-unit multifamily rental housing development (including one manager’s unit) to be located in the City and County of San Francisco, California on the real property site described in Exhibit A to the Regulatory Agreement, consisting of those facilities, including real property, structures, buildings, fixtures or equipment situated thereon, as it may at any time exist, the acquisition, construction and development of which facilities is to be financed, in whole or in part, from the proceeds of the sale of the Bonds or the proceeds of any payment by the Borrower pursuant to the Loan Agreement, and any real property, structures, buildings, fixtures or equipment acquired in substitution for, as a renewal or replacement of, or a modification or improvement to, all or any part of the facilities described in the Loan Agreement.

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

“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 Regulatory Agreement.

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

“Regulatory Agreement” means the Regulatory Agreement and Declaration of Restrictive Covenants, as it may be supplemented and amended from time to time.

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

“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.

“Transfer” means the conveyance, assignment, sale or other disposition 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 Borrower agrees to sell the Project or any part thereof for a price to be paid in installments; and (2) an agreement by the Borrower leasing all or a substantial part of the Project to one or more persons or entities pursuant to a single or related transactions.

Representations, Covenants and Warranties of the Borrower

In the Regulatory Agreement, the Borrower has acknowledged and agreed that the Project is to be owned, managed and operated as a “qualified residential rental project” (within the meaning of Section 142(d) of the Code) for a term equal to the Qualified Project Period. To that end, and for the term of the Regulatory Agreement, the Borrower has represented, covenanted, warranted and agreed as follows:

- (a) Each of the representations, covenants and warranties of the Borrower contained in the Tax Certificate and the Loan Agreement relating to the Project.
- (b) The Project is located entirely within the City.
- (c) It understands the nature and structure of the transactions contemplated by the Regulatory Agreement; that it is familiar with the provisions of all of the documents and instruments relating to the Bonds to which it is a party or of which it is a beneficiary; that it understands the financial and legal risks inherent in such transactions; and that it has not relied on the Issuer for any guidance or expertise in analyzing the financial or other consequences of such financing transactions or otherwise relied on the Issuer in any manner except to issue the Bonds in order to provide funds to assist the Borrower in rehabilitating and developing the Project.

Qualified Residential Rental Project

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

- (a) The Project will be constructed, developed and operated for the purpose of providing multifamily residential rental property. The Borrower will own, manage and operate the Project as a project to provide multifamily residential rental property comprised of a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities, in accordance with Section 142(d) of the Code, Section 1.103-8(b) of the Regulations

and the provisions of the Act and the Housing Law, and in accordance with such requirements as may be imposed thereby on the Project from time to time.

(b) All of the dwelling units in the Project (except for not more than one unit set aside for a resident manager or other administrative use) will be similarly constructed units, and each dwelling unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, refrigerator and sink.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis or rented for a period of fewer than 30 consecutive days, or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park; provided that the use of certain units for tenant guests on an intermittent basis shall not be considered transient use for purposes of the Regulatory Agreement.

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

(e) All of the Available Units in the Project will be available for rental during the period beginning on the date of the Regulatory Agreement and ending on the termination of the Qualified Project Period on a continuous, "first-come, first-served" basis to members of the general public, which for purposes of the Regulatory Agreement means the general senior population (pursuant to California Civil Code Section 51.3), and the Borrower will not give preference to any particular class or group in renting the dwelling units in the Project, except to the extent that dwelling units are required to be leased or rented in such a manner that they will constitute Low Income Units.

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

(g) No dwelling unit in the Project shall be occupied by the Borrower; 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 Borrower.

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

Low Income Tenants; Reporting Requirements

Pursuant to the requirements of the Code, the Borrower hereby represents, warrants and covenants with the Issuer and the Trustee as follows:

(a) During the Qualified Project Period, no less than 20% 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 20% requirement of the Regulatory Agreement unless and until an Available Unit of comparable or smaller size is rented to persons other than Low Income Tenants.

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

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

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

(f) The Borrower will prepare and submit to the Issuer, no later than January 15 of each year until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance and a Project Status Report executed by the Borrower. During the Qualified Project Period, the Borrower shall submit a completed Internal Revenue Code Form 8703 or such other annual certification as required by

the Code with respect to the Project, to the Secretary of the Treasury on or before March 31 of each year (or such other date as may be required by the Code).

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

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

Requirements of the Issuer

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

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

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

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

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

(e) The Borrower shall comply with the conditions set forth in the Regulatory Agreement that certain CDLAC Resolution No. 09-72 relating to the Project and adopted on September 23, 2009, as supplemented by that certain CDLAC Resolution No. 09-115 adopted December 16, 2009 (the “CDLAC Conditions”), as they may be modified or amended from time to time, which conditions are incorporated in the Regulatory Agreement by reference and made a part of the Regulatory Agreement. The Borrower will prepare and submit to CDLAC, not later than each anniversary of the Closing Date, until the end of the Qualified Project Period, a certificate of continuing program compliance, in substantially the form attached to the CDLAC Conditions, executed by an authorized representative of the Borrower. The Issuer and the Administrator shall have no obligation to monitor the Borrower’s compliance with the CDLAC Conditions.

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

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

[Remainder of this page intentionally left blank]

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

SET FORTH BELOW IS THE FORM OF THE OPINION OF BOND COUNSEL PROPOSED TO BE DELIVERED IN CONNECTION WITH THE INITIAL ISSUANCE OF THE BONDS.

August 17, 2010

ABAG Finance Authority for
Nonprofit Corporations
Oakland, California

ABAG Finance Authority for Nonprofit Corporations
Multifamily Housing Revenue Bonds
(Ginnie Mae Collateralized Mortgage Loan – Arc Light Co)
2010 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 \$32,462,900 aggregate principal amount of Multifamily Housing Revenue Bonds (Ginnie Mae Collateralized Mortgage Loan – Arc Light Co Residences) 2010 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 August 1, 2010 (the “Indenture”), between the Issuer and Wells Fargo 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 Loan 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 Loan 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 Loan 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 Loan 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 Trust Estate.
3. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Trust Estate, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
4. The Bonds do not constitute a debt or liability of the Issuer, the State or any political subdivision thereof, or a pledge of the faith and credit of the State or any such political subdivision, other than the Issuer to the extent provided in the Indenture.

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

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

\$32,462,900

**ABAG Finance Authority for Nonprofit Corporations
Multifamily Housing Revenue Bonds
(Ginnie Mae Collateralized Mortgage Loan – Arc Light Co)
2010 Series A**

This CONTINUING DISCLOSURE AGREEMENT dated as of August 1, 2010 (this “Continuing Disclosure Agreement”) is executed and delivered by Arc Light Co Affordable, LP, a California limited partnership (the “Borrower”), and Wells Fargo Bank, National Association, as dissemination agent (the “Dissemination Agent”).

RECITALS

1. This Continuing Disclosure Agreement is being executed and delivered in connection with the issuance of \$32,462,900 aggregate principal amount of Multifamily Housing Revenue Bonds (Ginnie Mae Collateralized Mortgage Loan – Arc Light Co) 2010 Series A (the “Bonds”) issued on a draw down basis pursuant to a Trust Indenture dated as of August 1, 2010 (the “Indenture”), between ABAG Finance Authority for Nonprofit Corporations (the “Issuer”) and the Dissemination Agent as trustee, the proceeds of which will be used to finance the acquisition, construction and equipping of an approximately 94-unit qualified residential rental project intended to be operated as a residential rental housing facility (the “Project”) in the City of San Francisco, California, and to pay certain related costs.
2. The Borrower and the Dissemination Agent are entering into this Continuing Disclosure Agreement for the benefit of the Beneficial Owners of the Bonds, including to provide disclosure in a manner consistent with the requirements of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

In consideration of the mutual covenants and agreements in this Continuing Disclosure Agreement, the Borrower and the Dissemination Agent covenant and agree as follows:

Section 1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Continuing Disclosure Agreement unless otherwise defined in this section and in the Recitals above, the following capitalized terms shall have the following meanings:

“Annual Financial Information” means, in the case of the Borrower, the financial information or operating data with respect to the Project, provided at least annually, of the type included in Exhibit B hereto, which Annual Financial Information may, but is not required to, include Audited Financial Statements.

“Annual Report” means any annual report provided by the Borrower pursuant to, and as described in, Section 2 of this Continuing Disclosure Agreement.

“Audited Financial Statements” means, in the case of the Borrower, the annual audited financial statements, if any.

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

“Material Events” means any of the events listed in Section 3(a) of this Continuing Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934. All documents provided to the MSRB shall be in a word-searchable 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.

Section 2. Provision of Annual Reports.

(a) The Borrower shall, or shall cause the Dissemination Agent to, not later than 150 days after the end of the Borrower's fiscal year, commencing within 150 days following the end of the Borrower’s current fiscal year, provide to the MSRB the Annual Report of the Borrower containing the Annual Financial Information for the prior fiscal year.

(b) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Borrower or any affiliate is an “obligated person” (as defined by the Rule), which have been filed with the MSRB or the Securities and Exchange Commission. The Borrower shall clearly identify each such other document so included by reference.

(c) 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 this section; provided, that the financial statements of the Borrower may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Borrower's fiscal year changes, it shall give notice of such change in the same manner as for a Material Event under Section 3(d).

(d) Not later than 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Borrower shall provide the Annual Report to the Dissemination Agent or shall certify in writing that the Borrower has provided the Annual Report to the MSRB.

(e) If the Dissemination Agent has not received an Annual Report or has not received a written certification from the Borrower that it has provided an Annual Report 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 (with a copy thereof to the Borrower).

(f) The Dissemination Agent shall, unless the Borrower has certified in writing that the Borrower has provided an Annual Report to the MSRB, file a report with the Borrower, the Issuer and the Trustee (if the Dissemination Agent is not the Trustee) certifying that the Annual Report has been provided pursuant to this Continuing Disclosure Agreement and stating the date it was provided.

Section 3. Reporting of Material Events.

(a) Pursuant to the provisions of this section, the Borrower shall give, or cause to be given, notice to the Dissemination Agent of the occurrence of any of the following events with respect to the Bonds, if material (“Material Events”):

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) modifications to rights of bondowners;
- (iv) optional, contingent or unscheduled bond calls;
- (v) defeasances;
- (vi) rating changes;
- (vii) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (viii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (ix) unscheduled draws on credit enhancements reflecting financial difficulties;
- (x) substitution of credit or liquidity providers, or their failure to perform; or
- (xi) release, substitution or sale of property securing repayment of the Bonds.

(b) The Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence of any event that it believes may constitute a Material Event, contact the chief financial officer 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, inform such person of the event, and request that the Borrower promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (d). If in response to a request under this subsection (b), the Borrower determines that such event would not be material under applicable federal securities laws, the Borrower shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (d).

(c) Whenever the Borrower obtains knowledge of the occurrence of a Material Event, because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Borrower shall promptly notify and instruct the Dissemination Agent in writing to report the occurrence pursuant to subsection (d).

(d) If the Dissemination Agent has been instructed by the Borrower to report the occurrence of a Material Event, the Dissemination Agent shall promptly file a notice of such occurrence with the MSRB with a copy to the Borrower. Notwithstanding the foregoing, notice of Material Events described in subsections (a)(iv) and (v) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the owners of affected Bonds pursuant to the Indenture.

Section 4. Termination of Reporting Obligation. The Borrower's obligations under this Continuing Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Borrower's obligations are assumed in full by some other entity, such person shall be responsible for compliance with this Continuing Disclosure Agreement in the same manner as if it were the Borrower and the Borrower shall have no further responsibility hereunder. The Borrower, in connection with such assumption, shall require the other entity to specifically assume in writing the obligations of the Borrower hereunder, which written instrument shall be filed with the Dissemination Agent and the Issuer. If such termination or substitution occurs prior to the final maturity of the Bonds, the Borrower shall give notice of such termination or substitution in the same manner as for a Material Event under Section 3(d).

Section 5. 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 Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without cause and without the necessity of stating a cause, and with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Borrower pursuant to this Continuing Disclosure Agreement.

Section 6. Amendment; Waiver.

(a) Notwithstanding any other provision of this Continuing Disclosure Agreement, the Borrower and the Dissemination Agent may amend this Continuing Disclosure Agreement (provided the Dissemination Agent's agreement to enter into an amendment requested by the Borrower will not be unreasonably withheld) and any provision of this Continuing Disclosure Agreement may be waived, provided that Bond Counsel or other counsel experienced in federal securities law matters provides the Borrower and the Dissemination Agent with its written opinion that the undertaking of the Borrower contained herein, as so amended or after giving effect to such waiver, is consistent with the Rule and all current amendments thereto and interpretations thereof that are applicable to this Continuing Disclosure Agreement.

(b) In the event of any amendment or waiver of a provision of this Continuing Disclosure Agreement, the Borrower shall describe such amendment in the next Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Borrower. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Material Event under Section 3(d), and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Borrower chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by this Continuing Disclosure Agreement, the Borrower shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 8. Default. In the event of a failure of the Borrower or the Dissemination Agent to comply with any provision of this Continuing Disclosure Agreement, the Trustee may (and, at the request of the owners of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Beneficial Owner of the Bonds may as its sole and exclusive remedy seek specific performance by court order, to cause the Borrower or the Dissemination Agent, as the case may be, to comply with its obligations under this Continuing Disclosure Agreement. A default under this Continuing Disclosure Agreement shall not be deemed an event of default under the Indenture or the Loan Agreement, and the sole remedy under this Continuing Disclosure Agreement in the event of any failure of the Borrower or the Dissemination Agent to comply with this Continuing Disclosure Agreement shall be an action to compel performance.

Section 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Continuing Disclosure Agreement, and the Borrower agrees to indemnify and save the Dissemination Agent, its 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) of defending against, any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Borrower under this section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 10. Notices. All notices or other communications shall be sufficiently given and shall be deemed given on the second day following the date on which the same have been personally delivered or mailed by certified mail, return receipt requested, postage prepaid, addressed as follows:

To the Borrower: Arc Light Co Affordable, LP
 c/o 178 Townsend Properties, LLC
 14 Mint Plaza, Fifth Floor
 San Francisco, CA 94103
 Attention: Patrick McNerney

To the Dissemination
Agent: Wells Fargo Bank, National Association
 333 Market Street 18th Floor
 MAC A0119-181
 San Francisco, CA 94105
 Attn: Corporate Trust Services
 Telephone: (415) 371-3361
 Fax: (415) 371-3400

Any person may, by written notice to the other persons listed above, designate a different address or telephone number to which subsequent notices or communications should be sent.

Section 11. Borrower's Obligations Non-recourse. In any action or proceeding brought hereon and except as otherwise provided in the Mortgage or the Loan Agreement, the liability of the Borrower under this Continuing Disclosure Agreement shall be limited to the Project and any other collateral securing the Loan Agreement, the Indenture or the Bonds.

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

Section 13. Severability. If any provision in this Continuing Disclosure Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

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

Section 15. Governing Law. This Continuing Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of California.

[Remainder of this page intentionally left blank]

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.

ARC LIGHT CO AFFORDABLE, LP,
a California limited partnership

By: 178 Townsend Properties, LLC,
a California limited liability company,
its Co-General Partner

By: _____
Patrick M. McNerney
Manager

By: Urban Preservation Foundation,
a California nonprofit public benefit corporation,
its Managing General Partner

By: _____
Patrick M. McNerney
President

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

[Counterpart signature page to the Continuing Disclosure Agreement]

**WELLS FARGO 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: \$32,462,900
ABAG Finance Authority for Nonprofit Corporations
Multifamily Housing Revenue Bonds
(Ginnie Mae Collateralized Mortgage Loan – Arc Light Co)
2010 Series A

CUSIP: 00037N NT9

Name of Obligated Person: Arc Light Co Affordable, LP

Date of Issuance: August 17, 2010

NOTICE IS HEREBY GIVEN that Arc Light Co Affordable, LP has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of August 1, 2010, between Arc Light Co Affordable, LP and Wells Fargo Bank, National Association. [The Borrower has notified the Dissemination Agent that the Borrower anticipates that the Annual Report will be filed by _____.]

Dated: _____

Wells Fargo Bank, National Association, as
Dissemination Agent, on behalf of Arc Light Co
Affordable, LP

cc: Arc Light Co Affordable, LP

EXHIBIT B

ANNUAL FINANCIAL INFORMATION

32,462,900

ABAG Finance Authority for Nonprofit Corporations
Multifamily Housing Revenue Bonds
(Ginnie Mae Collateralized Mortgage Loan – Arc Light Co)
2010 Series A

Report for Period Ending

THE PROJECT

Name: _____

Address: _____

Occupancy _____

Number of Units _____

Number of Units Occupied as of Report Date _____

Operating History of the Project

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

Revenues

Operating Expenses¹

Net Operating Income

Debt Service on the Loan

Net Operating Income/(Loss)

After Debt Service

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

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