New Issue: Book Entry Only **Moody's: "Aa3/VMIG-1"**
(See "RATINGS")

In the opinion of Vinson & Elkins L.L.P. ("Bond Counsel"), assuming compliance with certain covenants and based on certain representations, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law (except with respect to interest on any Bond during any period while it is held by a "substantial user" of the Development or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended) and is not subject to the alternative minimum tax imposed on individuals and corporations. See "TAX MATTERS" herein for a discussion of Bond Counsel's opinion.

$13,690,000

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS
(COSTA MARIPOSA APARTMENTS)
SERIES 2009

Dated: Delivery Date **Price: 100%** **CUSIP : 88275A CK4** **Maturity Date: May 1, 2042**

The above-captioned bonds (the "Bonds") are being issued pursuant to a Trust Indenture, dated as of May 1, 2009 (the "Indenture"), between the Texas Department of Housing and Community Affairs (the "Issuer") and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Bonds will bear interest at the Variable Rate to be determined on a weekly basis (generally the seven day period beginning on Thursday of each week through and including the following Wednesday) until converted to a Reset Rate or to a Fixed Rate, all as described herein. While the Bonds bear interest at the Variable Rate, interest on the Bonds will be payable on the first Business Day of each month, commencing July 1, 2009. Interest on the Bonds will begin to accrue on the Delivery Date. *This Official Statement describes the Bonds only during the initial Variable Period, which is the period beginning on the Delivery Date of the Bonds and ending on the date on which the interest rate on the Bonds is converted to a Reset Rate or to the Fixed Rate.*

The Bonds will be issued as fully registered bonds without coupons, in authorized denominations of $100,000 or any integral multiple of $5,000 in excess thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). The principal of and interest on the Bonds will be payable by the Trustee by wire transfer directly to DTC, which will in turn remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds. Simultaneously with the issuance of the Bonds, the Issuer will enter into a Financing Agreement, dated as of May 1, 2009 (the "Financing Agreement"), with the Trustee and Costa Mariposa, Ltd., a Texas limited partnership (the "Borrower"), to fund a mortgage loan (the "Bond Mortgage Loan") to the Borrower for the purpose of financing the acquisition, construction and equipping of a multifamily residential rental housing development located in Texas City, Texas, as further described herein (the "Development").

During the construction phase of the Development, payments of principal and purchase price of and interest on the Bonds will be secured by an irrevocable, direct pay letter of credit (the "Initial Construction Phase Credit Facility") issued by Bank of America, N.A. (the "Initial Construction Phase Credit Facility Provider"). The Initial Construction Phase Credit Facility will expire on February 1, 2012, but is subject to earlier termination in certain events, including the substitution of an Alternate Credit Facility under the Indenture or Conversion (as defined herein).

Bank of America, N.A.

Pursuant to a Forward Commitment, dated May 20, 2009, as amended (the "Forward Commitment"), upon completion of construction phase of the Development and compliance with certain other conditions described herein, the Federal Home Loan Mortgage Corporation,

Freddie Mac

a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States (the "Initial Permanent Phase Credit Facility Provider"), has agreed to provide credit enhancement for payments of principal and interest under the Bond Mortgage Loan and payments of the purchase price of the Bonds through the issuance of a Credit Enhancement Agreement (the "Initial Permanent Phase Credit Facility") between the Trustee and Initial Permanent Phase Credit Facility Provider commencing on the Conversion Date (as defined herein). The Initial Permanent Phase Credit Facility will terminate on December 6, 2041, or upon the earlier redemption (or purchase in lieu thereof) of the Bonds or upon substitution of an Alternate Credit Facility (as defined herein) under the Indenture (as provided in Appendix D).

THE INDENTURE REQUIRES THAT THE TRUSTEE PROVIDE NOTICE OF CONVERSION TO THE BONDHOLDERS NOT LESS THAN 7 DAYS PRIOR TO THE CONVERSION DATE, BUT CONVERSION DOES NOT REQUIRE THE CONSENT OF THE BONDHOLDERS. CONVERSION WILL NOT RESULT IN A MANDATORY TENDER OF THE BONDS ON THE CONVERSION DATE. IN LIGHT OF THE FOREGOING, PROSPECTIVE BONDHOLDERS SHOULD ANALYZE THE CREDIT AND LIQUIDITY QUALIFICATIONS OF THE INITIAL CONSTRUCTION PHASE CREDIT FACILITY PROVIDER AND THE INITIAL PERMANENT PHASE CREDIT FACILITY PROVIDER IN MAKING ANY INVESTMENT DECISION REGARDING THE BONDS.

THE INITIAL PERMANENT PHASE CREDIT FACILITY PROVIDER WILL HAVE NO OBLIGATION TO PROVIDE THE INITIAL PERMANENT PHASE CREDIT FACILITY AND WILL HAVE NO OBLIGATION WITH RESPECT TO THE BONDS OR THE BOND MORTGAGE LOAN, IF, FOR ANY REASON, CONVERSION DOES NOT OCCUR.

The Bonds will be subject to mandatory and optional purchase and to redemption prior to their stated maturity date, all as further described herein.

NOTWITHSTANDING ANYTHING CONTAINED IN THE INDENTURE TO THE CONTRARY, ANY OBLIGATION WHICH THE ISSUER MAY INCUR UNDER THE INDENTURE OR UNDER ANY INSTRUMENT EXECUTED IN CONNECTION THEREWITH WHICH WILL ENTAIL THE EXPENDITURE OF MONEY WILL NOT BE A GENERAL OBLIGATION OF THE ISSUER BUT WILL BE A SPECIAL LIMITED OBLIGATION PAYABLE SOLELY FROM THE TRUST ESTATE (AS DEFINED HEREIN). THE BONDS WILL CONSTITUTE A VALID CLAIM OF THE RESPECTIVE BONDHOLDERS THEREOF AGAINST THE TRUST ESTATE, WHICH IS PLEDGED TO SECURE THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS AND WHICH WILL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THE INDENTURE. THE BONDS, TOGETHER WITH INTEREST THEREON, WILL BE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER GIVING RISE TO NO CHARGE AGAINST THE ISSUER'S GENERAL CREDIT AND PAYABLE SOLELY FROM, AND CONSTITUTE CLAIMS OF THE BONDHOLDERS THEREOF AGAINST ONLY, THE TRUST ESTATE. THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON WILL NOT BE DEEMED TO CONSTITUTE DEBT OF THE ISSUER (EXCEPT TO THE EXTENT OF THE TRUST ESTATE), THE STATE OF TEXAS (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WILL BE LIABLE THEREON, AND NOT IN ANY EVENT WILL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THERETO. THE ISSUER HAS NO TAXING POWER.

The Initial Permanent Phase Credit Facility Provider's obligations with respect to the Bonds will be solely as provided in the Initial Permanent Phase Credit Facility . The obligations of the Initial Permanent Phase Credit Facility Provider under the Initial Permanent Phase Credit Facility will be obligations solely of the Initial Permanent Phase Credit Facility Provider, a shareholder-owned government sponsored enterprise organized under the laws of the United States of America. The Initial Permanent Phase Credit Facility Provider has no obligation to purchase, directly or indirectly, any of the Bonds, but will be obligated pursuant to the Initial Permanent Phase Credit Facility to provide funds to the Trustee to pay the Purchase Price (as defined herein) of the Bonds under circumstances described herein. The Bonds are not a debt of the United States of America, or any other agency thereof, or of the Initial Permanent Phase Credit Facility Provider, and are not guaranteed by the full faith and credit of the United States of America or by the Initial Permanent Phase Credit Facility Provider. Unless and until the Initial Permanent Phase Credit Facility Provider delivers the Initial Permanent Phase Credit Facility following satisfaction of those conditions set forth in the Forward Commitment and the Construction Phase Financing Agreement, the Initial Permanent Phase Credit Facility Provider will have no obligations with respect to the Bonds or the Bond Mortgage Loan. No assurances can be given that the Initial Permanent Phase Credit Facility will be delivered.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of certain legal matters by Vinson & Elkins L.L.P., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Borrower by Broad and Cassel, Orlando, Florida and for the Initial Construction Phase Credit Facility Provider by Stearns, Weaver, Miller, Weissler, Alhadeff & Sitterson, PA, Miami, Florida. Certain legal matters will be passed upon by Katten Muchin Rosenman LLP, Washington, D.C., counsel to the Underwriters. It is expected that the Bonds will be available for initial delivery to The Depository Trust Company in New York, New York, on or about May 28, 2009.

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Dated: May 27, 2009

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

The information in this Official Statement has been obtained from the Issuer, the Borrower, the Initial Construction Phase Credit Facility Provider, the Initial Permanent Phase Credit Facility Provider (but with respect to the Initial Construction Phase Credit Facility Provider and the Initial Permanent Phase Credit Facility Provider only to the limited extent noted below) and DTC and other sources that 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 Issuer (except with respect to the description under the captions "THE ISSUER" and "ABSENCE OF LITIGATION – The Issuer"). In particular, the Issuer has not provided or approved any information in this Official Statement except with respect to the information under the captions "THE ISSUER" and "ABSENCE OF LITIGATION – The Issuer" and takes no responsibility for any other information contained in this Official Statement. And, the Borrower has not provided any information in this Official Statement, except with respect to information under the captions "THE DEVELOPMENT AND THE PRIVATE PARTICIPANTS" and "ABSENCE OF LITIGATION – The Borrower."

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

The Initial Construction Phase Credit Facility Provider does not assume, nor will it assume, any responsibility as to the completeness or accuracy of any of the information contained in this Official Statement, all of which has been furnished by others, with the exception of the information which appears under the caption "THE INITIAL CONSTRUCTION PHASE CREDIT FACILITY PROVIDER," "THE INITIAL CONSTRUCTION PHASE CREDIT FACILITY," "SUMMARY OF THE CONSTRUCTION PHASE REIMBURSEMENT AGREEMENT," and APPENDIX C: "FORM OF INITIAL CONSTRUCTION PHASE CREDIT FACILITY" which was provided by the Initial Construction Phase Credit Facility Provider. Without limiting the foregoing, the Initial Construction Phase Credit Facility Provider makes no representation as to the suitability of the Bonds for any investor, the feasibility or performance of the Development, or compliance with any securities, tax or other laws or regulations. The Initial Construction Phase Credit Facility Provider's role with respect to the Bonds is limited to providing the Initial Construction Phase Credit Facility to the Trustee. The Initial Permanent Phase Credit Facility Provider makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility or performance of the Development, or compliance with any securities, tax or other laws or regulations. The Initial Permanent Phase Credit Facility Provider's role is limited to entering into the Initial Permanent Phase Credit Facility described herein. The Servicer has not provided or approved any information in this Official Statement except with respect to the descriptions under the caption "THE DEVELOPMENT AND THE PRIVATE PARTICIPANTS—The Servicer," and takes no responsibility for any other information contained in this Official Statement. The Servicer makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility or performance of the Development, or compliance with any securities, tax or other laws or regulations.

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

The Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary may be a criminal offense.

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$13,690,000
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS
(COSTA MARIPOSA APARTMENTS)
SERIES 2009

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide information in connection with the issuance and sale by the Texas Department of Housing and Community Affairs (the "Issuer") of its Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Mariposa Apartments) Series 2009 in the aggregate principal amount of $13,690,000 (the "Bonds"). The Bonds are being issued in accordance with the provisions of Chapter 2306, Texas Government Code, as amended, (the "Act"), and a Trust Indenture, dated as of May 1, 2009 (the "Indenture"), between the Issuer and Wells Fargo Bank, National Association, a national banking association, as trustee (the "Trustee").

Simultaneously with the issuance of the Bonds, the Issuer will enter into a Financing Agreement, dated as of May 1, 2009 (the "Financing Agreement"), with the Trustee and Costa Mariposa, Ltd., a Texas limited partnership (the "Borrower"), to provide a mortgage loan (the "Bond Mortgage Loan") to the Borrower for the purpose of financing the acquisition, construction and equipping of a multifamily rental housing development located in Texas City, Texas (the "City"), to be known as Costa Mariposa Apartments, as further described herein (the "Development"). Capitalized terms used herein and not otherwise defined will have the meanings set forth in Appendix A: "DEFINITIONS OF CERTAIN TERMS."

During the Construction Phase, payments of principal and purchase price of and interest on the Bonds will be secured by an irrevocable, direct pay letter of credit (the "Initial Construction Phase Credit Facility") issued by Bank of America, N.A. (the "Initial Construction Phase Credit Facility Provider"). Pursuant to a Forward Commitment, dated May 20, 2009 between the Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States (the "Initial Permanent Phase Credit Facility Provider") and Oak Grove Commercial Mortgage, LLC, upon completion of the construction of the Development and compliance with certain other conditions described herein ("Conversion"), the Initial Permanent Phase Credit Facility Provider has agreed to provide credit enhancement for payments of principal and interest under the Bond Mortgage Loan and payments of the Purchase Price of the Bonds through the issuance of a Credit Enhancement Agreement (the "Initial Permanent Phase Credit Facility" and together with the Initial Construction Phase Credit Facility and any Alternate Credit Facility delivered to the Trustee pursuant to the terms of the Indenture, the "Credit Facility") between the Trustee and the Initial Permanent Phase Credit Facility Provider. The Initial Construction Phase Credit Facility will expire on February 1, 2012, or earlier in certain events, including the substitution of an Alternate Credit Facility pursuant to the terms of the Indenture, or upon Conversion. If Conversion does not occur, the Bonds will continue to be enhanced by the Initial Construction Phase Credit Facility in accordance with its terms. If the Initial Construction Phase Credit Facility expires and is not extended or an Alternate Credit Facility is not delivered as provided in the Indenture, the Bonds will be subject to mandatory redemption in whole (or purchased in lieu of redemption by the Initial Construction Phase Credit Facility Provider). See "THE BONDS—Mandatory Redemption." There is no assurance that Conversion will occur. If Conversion occurs and the Initial Permanent Phase Credit Facility is delivered, it will terminate on December 6, 2041, or upon the earlier redemption (or purchase in lieu thereof) of the Bonds, the date the Trustee has released

the lien of the Indenture or upon substitution of an Alternate Credit Facility pursuant to the terms of the Indenture. There will be no tender or purchase of Bonds in connection with the Conversion. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

This Official Statement is intended for use with respect to the Bonds only during the initial Variable Period, which is the period beginning on the Delivery Date and ending on the date on which the interest rate on the Bonds is converted to a Reset Rate or to a Fixed Rate.

The Issuer will originate the Bond Mortgage Loan on the Delivery Date. The Bond Mortgage Loan will be evidenced by a promissory note (the "Bond Mortgage Note") executed by the Borrower in favor of the Issuer and endorsed to the Trustee and secured by the First Multifamily Deed of Trust, Assignment of Rents and Security Agreement and Fixture Filing, dated as of May 1, 2009, from the Borrower to the Issuer and assigned to the Trustee (the "Bond Mortgage"). See "THE DEVELOPMENT AND THE PRIVATE PARTICIPANTS—The Development." The Bond Mortgage Note is a nonrecourse obligation of the Borrower subject to certain limited exceptions. Payments of principal of and interest on the Bonds will be made by the Trustee during the Construction Phase from money transferred from the Bond Mortgage Loan Fund and from draws under the Initial Construction Phase Credit Facility. From and after Conversion, the Trustee will make payments of principal of and interest on the Bonds from draws against the Initial Permanent Phase Credit Facility. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—The Credit Facility."

The principal amount and payment provisions of the Bond Mortgage Note have been established and structured so that (a) the aggregate principal amount of the Bond Mortgage Note will equal the aggregate principal amount of Outstanding Bonds and (b) the interest payable on the Bond Mortgage Note will not be less than the interest payable on the Outstanding Bonds. Additionally, the Borrower is obligated under the Bond Mortgage Note to pay certain fees and expenses as described herein. Neither the Initial Construction Phase Credit Facility nor the Initial Permanent Phase Credit Facility will cover payment of any such fees. See Appendix B: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—The Financing Agreement." Pursuant to the Indenture, the Issuer will assign its rights, title and interest in and to the Financing Agreement (excluding the Unassigned Rights), the Bond Mortgage and the Bond Mortgage Note to the Trustee for the benefit of the holders of the Bonds.

To evidence the repayment obligations of the Borrower to the Initial Construction Phase Credit Facility Provider as a result of draws under the Initial Construction Phase Credit Facility, the Borrower and the Initial Construction Phase Credit Facility Provider will enter into a Reimbursement Agreement, dated as of May 1, 2009 (the "Initial Construction Phase Reimbursement Agreement"). To evidence the repayment obligations of the Borrower to the Initial Permanent Phase Credit Facility Provider as a result of payments made by the Initial Permanent Phase Credit Facility Provider under the Initial Permanent Phase Credit Facility, the Borrower and the Initial Permanent Phase Credit Facility Provider will enter into a Reimbursement and Security Agreement, dated on or before the date of Conversion (the "Initial Permanent Phase Reimbursement Agreement," and together with the Initial Construction Phase Reimbursement Agreement, and any similar agreement pursuant to which an Alternate Credit Facility is issued, the "Reimbursement Agreement"). To secure the obligations of the Borrower under the Initial Construction Phase Reimbursement Agreement, the Borrower will execute and deliver for the benefit of the Initial Construction Credit Facility Provider a second lien priority Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of the Delivery Date (the "Reimbursement Mortgage"). Holders of Bonds will have no rights with respect to and are not third party beneficiaries of the Reimbursement Mortgage and any successor instrument securing the Borrower's obligations under any Reimbursement Agreement. See "SUMMARY OF CERTAIN PROVISIONS OF THE INITIAL CONSTRUCTION PHASE REIMBURSEMENT AGREEMENT."

On the Delivery Date, the Issuer, the Trustee, the Initial Construction Phase Credit Facility Provider and the Initial Permanent Phase Credit Facility Provider will enter into an Intercreditor Agreement, dated as of May 1, 2009, pursuant to which the rights of the Issuer, the Trustee, the Initial Construction Phase Credit Facility Provider and the Initial Permanent Phase Credit Facility Provider to enforce remedies under the Bond Mortgage and the Reimbursement Mortgage, respectively, are set forth among the parties therein. None of the Issuer, the Trustee or the holders of the Bonds will have the right to exercise certain remedies (without the prior consent or direction of the Initial Construction Phase Credit Facility Provider or the Initial Permanent Phase Credit Facility Provider, as appropriate) under the Bond Mortgage during any period the Initial Construction Phase Credit Facility or the Initial Permanent Phase Credit Facility, as applicable, secures the Bonds and the Initial Construction Phase Credit Facility Provider or the Initial Permanent Phase Credit Facility Provider, as applicable, continues to honor its obligations thereunder. See Appendix B: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—The Intercreditor Agreement."

Pursuant to the Forward Commitment, the Initial Permanent Phase Credit Facility Provider's obligation to issue the Initial Permanent Phase Credit Facility is subject to satisfaction of the Conditions to Conversion set forth and referenced in the Construction Phase Financing Agreement, dated as of May 1, 2009, among Oak Grove Commercial Mortgage, LLC, as servicer (following the Conversion, the "Servicer"), the Borrower, the Initial Construction Phase Credit Facility Provider and the Initial Permanent Phase Credit Facility Provider (the "Construction Phase Financing Agreement") on or prior to December 1, 2011, or such later date as may be extended pursuant to the Forward Commitment or otherwise approved by the Initial Permanent Phase Credit Facility Provider in its sole discretion (the "Forward Commitment Maturity Date"). If the Conditions to Conversion are satisfied on or prior to the Forward Commitment Maturity Date (or, to the extent not satisfied, are waived by the Initial Permanent Phase Credit Facility Provider), the Bond Mortgage Loan will convert from the Construction Phase to the Permanent Phase. The Conditions to Conversion include, but are not limited to, completion of construction of the Development substantially in compliance with the approved plans and specifications and the achievement of certain specified levels of occupancy from the leasing of units in the Development. No assurance can be given that all of the Conditions to Conversion will be satisfied on or prior to the Forward Commitment Maturity Date. See Appendix B: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—The Construction Phase Financing Agreement."

Upon Conversion, the Initial Construction Phase Credit Facility will terminate and the Initial Permanent Phase Credit Facility will secure payments of principal of and interest on the Bond Mortgage Loan and payments of the Purchase Price on the Bonds. If the Conditions to Conversion are not satisfied prior to the Forward Commitment Maturity Date (or, to the extent not satisfied, are not waived by the Initial Permanent Phase Credit Facility Provider), Conversion will not occur and the Initial Permanent Phase Credit Facility Provider will not deliver its the Initial Permanent Phase Credit Facility to the Trustee. If Conversion does not occur, payment of the Bonds will continue to be secured by the Initial Construction Phase Credit Facility in accordance with its terms. The Bonds are not subject to mandatory redemption if Conversion does not occur. See "THE BONDS—Conversion."

In addition, even if Conversion occurs, no assurance can be given that the principal amount of the Bond Mortgage Loan after Conversion, as finally determined in accordance with the Construction Phase Financing Agreement and the Forward Commitment, will not be less than the original principal amount of the Bond Mortgage Loan. If the principal amount of the Bond Mortgage Loan, as finally determined in accordance with the Construction Phase Financing Agreement and the Forward Commitment, is less than the original principal amount of the Bond Mortgage Loan, the principal amount of the Bond Mortgage Loan must, as a Condition to Conversion, be reduced by the Borrower's prepayment of the Bond Mortgage Loan in part (a "Pre-Conversion Loan Equalization Payment"). Upon such prepayment, a corresponding portion of the Bonds will be subject to mandatory redemption. Any such mandatory redemption will be at a redemption price equal to the principal amount of the Bonds to be redeemed plus

accrued interest to the redemption date. If such prepayment in part is required as a Condition to Conversion and is not made, Conversion will not occur. See "THE BONDS—Mandatory Redemption."

The Development is required to be rented to and occupied by families whose incomes satisfy certain provisions of the Act and the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable income tax regulations issued under the Code as set forth in a Regulatory and Land Use Restriction Agreement, dated as of May 1, 2009 (the "Regulatory Agreement"), by and among the Borrower, the Trustee and the Issuer. See Appendix B: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—The Regulatory Agreement."

Stern Brothers & Co. has been appointed to serve as remarketing agent (the "Remarketing Agent") for the Bonds pursuant to the terms of a Remarketing Agreement, dated as of May 1, 2009, between the Borrower and the Remarketing Agent (the "Remarketing Agreement"). The Trustee, in its capacity as tender agent (the "Tender Agent"), will perform certain services in connection with the purchase of tendered Bonds.

WHEN AND IF CONVERSION OCCURS, THE INITIAL PERMANENT PHASE CREDIT FACILITY PROVIDER'S OBLIGATIONS WITH RESPECT TO THE BONDS WILL BE SOLELY AS PROVIDED IN THE INITIAL PERMANENT PHASE CREDIT FACILITY. THE OBLIGATIONS OF THE INITIAL PERMANENT PHASE CREDIT FACILITY PROVIDER UNDER THE INITIAL PERMANENT PHASE CREDIT FACILITY WILL BE OBLIGATIONS SOLELY OF THE INITIAL PERMANENT PHASE CREDIT FACILITY PROVIDER. THE INITIAL PERMANENT PHASE CREDIT FACILITY PROVIDER WILL HAVE NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE BONDS, BUT WILL BE OBLIGATED PURSUANT TO THE INITIAL PERMANENT PHASE CREDIT FACILITY TO PROVIDE FUNDS TO THE TRUSTEE TO PAY THE PURCHASE PRICE OF THE BONDS UNDER CERTAIN CIRCUMSTANCES DESCRIBED HEREIN. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, OR ANY OTHER AGENCY THEREOF, OR OF THE INITIAL PERMANENT PHASE CREDIT FACILITY PROVIDER, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY THE INITIAL PERMANENT PHASE CREDIT FACILITY PROVIDER.

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

THE ISSUER

General

The Issuer, a public and official governmental agency of the State and a body corporate and politic, was created pursuant to the Act, effective September 1, 1991. The Issuer is the successor agency to the Texas Housing Agency (the "Agency") and the Texas Department of Community Affairs, both of which were abolished by the Act and their functions and obligations transferred to the Issuer. One of the purposes of the Issuer is to provide assistance to individuals and families of low and very low income and

families of moderate income and persons with special needs to obtain decent, safe and sanitary housing. Pursuant to the Act, the Issuer may issue bonds, notes or other obligations to finance or refinance residential housing and to refund bonds previously issued by the Agency, the Issuer or certain other quasi-governmental issuers. The Act specifically provides that the revenue bonds of the Agency become revenue bonds of the Issuer.

The Issuer is subject to the Texas Sunset Act (Chapter 325, Texas Government Code, as amended, hereinafter referred to as the "Sunset Act"), and its continued existence is subject to a review process that resulted in passage of legislation in the 2003 Texas legislative session which continues the Issuer in existence until September 1, 2011, at which time it will again be subject to review. The Sunset Act, however, recognizes the continuing obligation of the State to provide for the payment of bonded indebtedness incurred by a State agency abolished under the provisions thereof and provides that the Governor of the State (the "Governor") will designate an appropriate State agency to continue to carry out all covenants with respect to any bonds outstanding, including the payment of any bonds from the sources provided in the proceedings authorizing such bonds.

In the Act, the State also pledges and agrees with the holders of any bonds issued under the Act (such as the Bonds) that the State will not limit or alter the rights vested in the Issuer to fulfill the terms of any agreements made with the holders thereof that would in any way impair the rights and remedies of such holders until such bonds, together with the interest thereon, interest on any unpaid installments of interest and all costs and expenses incurred in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged.

Organization and Membership

Governing Board. The Issuer is governed by a governing board (the "Board") consisting of seven public members, appointed by the Governor, with the advice and consent of the State Senate. Board members hold office for six-year staggered terms. Each member serves until his or her successor is appointed and qualified. Each member is eligible for reappointment. Members serve without compensation, but are entitled to reimbursement for actual expenses incurred in performing their duties of office. The Act requires the Governor to make appointments so that the places on the Board are occupied by persons who have a demonstrated interest in issues related to housing and support services and who broadly reflect the geographic, economic, cultural, and social diversity of the State, including ethnic minorities, persons with disabilities, and women.

The Governor designates a member of the Board to serve as the presiding officer (the "Chair") of the Board at the pleasure of the Governor. The Chair presides at all meetings and performs such other duties as may be prescribed from time to time by the Board and by the Act. In addition, the members of the Board elect one of its members as assistant presiding officer (the "Vice Chair") to perform the duties of the Chair when the Chair is not present or is incapable of performing such duties. The Board also elects a Secretary and a Treasurer (which offices may be held by one individual and neither office holder is required to be a Board member) to perform the duties prescribed by the Board.

The current members of the Board, their occupations and their terms of office are as follows:

C. KENT CONINE, Chair and Board Member. President, Conine Residential Group, Frisco, Texas. His term expires on January 31, 2015.

GLORIA L. RAY, Vice Chair and Board Member. Chief of Resources Management Division, Kelly Air Force Base, Retired. Her term expires January 31, 2011.

THOMAS H. GANN, Board Member. President, Gann Medford Real Estate Inc., Lufkin, Texas. His term expires January 31, 2015.

DR. JUAN SANCHEZ MUÑOZ, Board Member. Associate Professor of Education, Associate Vice Provost and Special Assistant to the President, Texas Tech University. His term expires January 31, 2011.

TOMAS CARDENAS, P.E., Board Member. President and Chief Executive Officer, ECM International, Inc. His term expires January 31, 2013.

LESLIE BINGHAM ESCAREÑO, Board Member. Chief Executive Officer, Valley Baptist Medical Center-Brownsville. Her term expires January 31, 2013.

All of the above Board members have been appointed by the Governor, but only Gloria Ray has been confirmed by the State Senate. Pursuant to Article XVI, Section 17, of the Texas Constitution, any Board member whose term has expired continues to serve until his or her successor has been appointed. Texas law requires that confirmations of any such appointment be considered at the next legislative session, whether regular or special.

Administrative Personnel. The Act provides that the Issuer is to be administered by an Executive Director to be employed by the Board with the approval of the Governor. The Executive Director serves at the pleasure of the Board, but may also be removed by a newly elected Governor who did not approve the Executive Director's appointment by action taken within 90 days after such Governor takes office. The Executive Director is responsible for administering the Issuer and its personnel. The Executive Director may employ other employees necessary for the discharge of the duties of the Issuer, subject to the annual budget and the provisions of any resolution authorizing the issuance of the Issuer's bonds.

Currently, the Issuer has 299 employees. The following is a biographical summary of certain of the Issuer's senior staff members who have responsibility with respect to multi-family housing matters:

MICHAEL G. GERBER, Executive Director. On April 13, 2006, the Issuer selected Michael G. Gerber as Executive Director. Mr. Gerber began service at the Issuer on May 17, 2006, with the statutorily required approval of the Governor. Before joining the Issuer, Mr. Gerber served as an Advisor to Texas Governor Rick Perry in the Governor's Office of Budget, Planning, and Policy since October 2004. From January 2003-October 2004, Mr. Gerber served in the Bush Administration at the U.S. Department of Housing and Urban Development, first as a Senior Advisor to the Assistant Secretary for Public and Indian Housing, and later as a Senior Advisor to the Assistant Secretary for Policy Development and Research. Mr. Gerber served as a Legislative Assistant to U.S. Senator Kay Bailey Hutchison from 1997-2001, and as a Special Assistant for State Developments to U.S. Senator Phil Gramm from 1990-1997. Mr. Gerber received his undergraduate degree from George Washington University and a Masters of Business Administration from Marymount University.

TOM GOURIS, Deputy Executive Director of Programs. Mr. Gouris joined the Issuer in 1997 as a manager in the Real Estate Analysis Division. Prior to his promotion Mr. Gouris served as the Director of Real Estate Analysis which was responsible for the oversight of the underwriting and made funding recommendations for over 1,200 multifamily transactions totaling over $10 Billion in transactional volume utilizing Housing Tax Credit, HOME, CDBG, Texas Housing Trust Fund, Section 8 Mark-to-Market, and tax-exempt mortgage revenue bond programs. In his current position, he is responsible for the oversight of the Issuer's program divisions including Single Family Finance, Multifamily Finance, Office of Colonia Initiatives and the Community Affairs Division. Mr. Gouris was previously a lending re-engineering consultant with Alex Sheshunoff Management Services, Inc. and a real estate workout manager with Bank One in Texas. Mr. Gouris received his Masters of Business Administration from the University of Texas at Austin and his undergraduate degree in Economics from the University of Wisconsin - Madison.

TIMOTHY IRVINE, Chief of Staff and Secretary/Treasurer. Mr. Irvine joined the Issuer on January 1, 2009, and was designated Secretary/Treasurer on February 5, 2009. He has responsibility for the oversight of all of the Issuer's activities. His previous experience includes serving as general counsel for several large financial institutions, general counsel of the Texas Savings and Mortgage Lending Department, Executive Director of the Issuer's Manufactured Housing Division, Administrator at the Texas Real Estate Commission, and Commissioner of the Texas Appraiser Licensing and Certification Board. He obtained his B.A. from Claremont McKenna College, and M.A. from Claremont Graduate University, and a J.D. from Willamette University. He has also practiced as a partner in a major law firm.

WILLIAM DALLY, Chief of Agency Administration. Mr. Dally initially joined the Issuer on the Internal Audit staff in May 1994. On May 1, 1999, Mr. Dally was promoted to the position of Chief Financial Officer after serving as the Issuer's Controller since January 1996. Mr. Dally is presently responsible for the Issuer's management of fiscal affairs, including budgets and financial reporting. In his current role, Mr. Dally also oversees the compliance monitoring functions of the Issuer. Mr. Dally earned a Bachelor of Business Administration degree in Accounting from the University of Texas at Austin, and is a Certified Public Accountant. Prior to his employment with the Issuer, Mr. Dally was a Senior Auditor with the firm of KPMG Peat Marwick and worked primarily with governmental entities.

ROBBYE MEYER, Director of Multifamily Finance Production. Ms. Meyer joined the Issuer in May 2001 as the Multifamily Bond Specialist in the Multifamily Bond Program Division. She was reclassified as the Multifamily Bond Administrator when the Issuer was reorganized in 2003. Ms. Meyer was named Manager of Multifamily Finance Production in April of 2005 and was subsequently named Director of Multifamily Production in September, 2006. As Director, she is responsible for the application, review, allocation, award, and closing on all multifamily funding sources, including multifamily revenue bonds, low income housing tax credits, preservation funds, the Housing Trust Fund, and HOME funds.

PATRICIA MURPHY, Chief of Compliance and Asset Oversight. Ms. Murphy joined the Issuer in 1995 as a Compliance Monitor. Prior to her promotion, Ms. Murphy served the last three years as Manager for Portfolio Compliance. She also served with the City of Austin Neighborhood and Housing Services in the city's first time homebuyer program before joining the Issuer. Ms. Murphy, a native of Rhode Island, received a BA in Sociology and Women's Studies from Boston College.

KEVIN HAMBY, General Counsel. Kevin Hamby was named General Counsel of the Issuer and became Secretary to the Board on September 1, 2005. Mr. Hamby is responsible for coordination of all internal and external legal counsel for the issuer. Previously, he was with the Office of the Attorney General of Texas in the Administrative Law Division. After graduating from Catholic University of America, Columbus School of Law, Mr. Hamby joined the Dallas office of Fulbright & Jaworski, L.L.P. where he was involved in the Public Finance and Commercial Litigation Sections. After leaving the law firm, Mr. Hamby served as general counsel to several organizations while in private practice. Mr. Hamby received his undergraduate degree in government from the University of Texas.

The offices of the Issuer are located at 221 East 11th Street, Austin, Texas 78701-2410, and the telephone number for the Housing Finance Division of the Issuer is 512/475-3800.

THE BONDS, TOGETHER WITH INTEREST THEREON, ARE SPECIAL AND LIMITED OBLIGATIONS SOLELY OF THE ISSUER PAYABLE FROM THE REVENUES, RECEIPTS AND SECURITY PLEDGED THEREFOR UNDER THE INDENTURE. NONE OF THE UNITED STATES OF AMERICA, THE STATE, THE ISSUER, OR ANY OTHER POLITICAL SUBDIVISION OR BODY CORPORATE AND POLITIC OF THE STATE OR ANY AGENCY OF THE UNITED STATES OF AMERICA OR ANY ISSUER THEREOF, WILL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND

WHATSOEVER OF THE ISSUER, AND NONE OF THE BONDS OR ANY OF THE ISSUER=S AGREEMENTS OR OBLIGATIONS WILL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF THE UNITED STATES OF AMERICA, THE STATE, THE ISSUER, OR ANY OTHER POLITICAL SUBDIVISION OR BODY CORPORATE AND POLITIC OF THE STATE, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. THE BONDS ARE NOT AN OBLIGATION, DEBT OR LIABILITY OF THE STATE, AND DO NOT CREATE OR CONSTITUTE A PLEDGE, GIVING OR LENDING OF THE FAITH, CREDIT, OR TAXING POWER OF THE STATE.

Other Indebtedness of the Issuer

Single Family Mortgage Revenue Bonds. Since 1979, the year of creation of the Agency, through December 31, 2008, there have been issued by the Agency or the Issuer, 27 series of Residential Mortgage Revenue Bonds, 2 series of GNMA Collateralized Home Mortgage Revenue Bonds, 51 series of Single Family Mortgage Revenue Bonds, 4 series of Junior Lien Single Family Mortgage Revenue Bonds, 11 series of Collateralized Home Mortgage Revenue Bonds, and 10 series of Single Family Mortgage Revenue Bonds (Collateralized Home Mortgage Revenue Bonds). As of December 31, 2008, the aggregate outstanding principal amount of bonded indebtedness of the Issuer for single family purposes was $1,415,737,976.

Multifamily Housing Revenue Bonds. The Issuer and the Agency, through December 31, 2008, have issued 131 series of multifamily housing revenue bonds which have been issued pursuant to separate trust indentures and are secured by individual trust estates which are separate and distinct from each other. As of December 31, 2008, 105 series were outstanding with an aggregate outstanding principal amount of $1,217,359,058 of multifamily housing revenue bonds.

THE BONDS

General

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

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

The Bonds will be issued in the minimum denomination of $100,000 and any integral multiple of $5,000 in excess thereof. The Bonds will be dated as of May 1, 2009. Accrual of interest on the Bonds will commence on the Delivery Date. The Bonds will mature on the date set forth on the front cover page of this Official Statement. Commencing on the Delivery Date, the Bonds will bear interest at a Variable Rate of interest until the first Reset Date, if any, or until the Fixed Rate Adjustment Date, if any.

Interest on the Bonds will be payable on July 1, 2009, and on the first Business Day of each month thereafter, the maturity date of the Bonds and, for Bonds subject to redemption, the date of redemption of the Bonds (each such date is an "Interest Payment Date"). So long as the Bonds bear

interest at a Variable Rate, interest will be computed on the basis of a 365-day or 366-day year, as applicable, for the actual number of days elapsed.

Unless the Bonds are in the book-entry only system, interest on the Bonds will be payable by check mailed on the date such interest is due to the person whose name appears on the registration books of the Trustee on the Record Date; and upon written request of a registered owner of at least $1,000,000 principal amount of Bonds outstanding received by the Trustee at least five days prior to a Record Date, payment is to be made to such owner by wire transfer pursuant to the provisions of the Bonds. Payment of the Purchase Price of any Bonds tendered for purchase on a Settlement Date will be payable only upon presentation thereof at the Principal Office of the Tender Agent.

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

Payment of any past due interest is to be made to the person in whose name such Bond is registered on the Special Record Date which will be not less than 10 and not more than 15 days prior to the date of the proposed Special Interest Payment Date for such past due interest.

Variable Rate for the Bonds

On and after the Delivery Date, the Bonds will bear interest at the Variable Rate, computed on the basis of a 365-day or 366-day year, for the actual numbers of days elapsed, from and including the Delivery Date to and including the following Wednesday; and thereafter will continue to bear interest at the Variable Rate, until converted to a Reset Rate or a Fixed Rate as provided in the Indenture. The Variable Rate of interest borne by the Bonds for each Variable Interest Accrual Period will be the Variable Rate determined by the Remarketing Agent and reported in writing to the Issuer, the Trustee, the Tender Agent, the Borrower, the Servicer (from and after the Conversion Date) and the Credit Facility Provider, as provided in the Indenture, on the Variable Interest Computation Date for such Variable Interest Accrual Period. Any Bondholder may obtain information on the Variable Rate by written request to the Trustee.

The Variable Rate for each Variable Interest Accrual Period determined by the Remarketing Agent on each Variable Interest Computation Date will be that rate of interest which, if borne by the Bonds, would, in its reasonable professional judgment, on the basis of prevailing financial market conditions, be the interest rate necessary, but that would not exceed the interest rate necessary, to be borne by the Bonds in order for the market value of the Bonds on such Variable Interest Computation Date to be 100% of the principal amount thereof (disregarding accrued interest) if the Bonds were sold on such Variable Interest Computation Date; however, in no event will the Variable Rate at any time exceed the

Maximum Rate. If for any reason the Remarketing Agent fails to determine the rate of interest or if the rate of interest determined by the Remarketing Agent is held to be invalid or unenforceable for any Variable Interest Accrual Period, then the Variable Rate for such Variable Interest Accrual Period will be the Index Rate in effect on such Variable Interest Computation Date.

The determination of the Variable Rate by the Remarketing Agent will (in the absence of manifest error) be conclusive and binding on the Holders of the Bonds, the Issuer, the Borrower, the Credit Facility Provider, the Servicer (from and after the Conversion Date), the Remarketing Agent, the Tender Agent and the Trustee and each will be protected in relying on it.

Anything in the Indenture to the contrary notwithstanding, so long as an Event of Default under the Indenture caused by the failure by the Credit Facility Provider to make when due a required payment under the Credit Facility will have occurred and be continuing, the Variable Rate for each Variable Interest Accrual Period will be (a) for the first 60 days following the occurrence of such Event of Default, the Index Rate in effect on the applicable Variable Interest Computation Date plus 4% per annum and (ii), thereafter, the Maximum Rate; provided, however, that in no event will the Variable Rate at any time exceed the Maximum Rate. The Remarketing Agent will not be responsible for determining the Variable Rate for any Variable Interest Accrual Period after the occurrence and during the continuance of an Event of Default caused by the failure of the Credit Facility Provider to make when due a required payment under the Credit Facility.

Book-Entry Only System

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

The Depository Trust Company ("DTC"), New York, 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 Security certificate will be issued for each issue of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 S&P's highest rating: AAA. The DTC

Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices, if any, will 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 procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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 nor its nominee, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the

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

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

The book-entry system for registration of the ownership of the Bonds may be discontinued at any time if either: (a) DTC determines to resign as securities depository for the Bonds; or (b) the Issuer determines (with the prior written consent of the Credit Facility Provider) to discontinue the system of book-entry transfers through DTC (or through a successor securities depository) subject to the rules and regulations of DTC regarding the discontinuation of the system of book-entry transfers in effect at such time. In either of such events (unless, in the case described in (b) above, the Issuer appoints a successor securities depository), the Bonds will be delivered in registered certificate form to such Persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Trustee for the accuracy of such designation. Whenever DTC requests the Issuer and the Trustee to do so, the Issuer and the Trustee will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

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

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

Demand for and Mandatory Purchase of Bonds

Any Bonds (other than Purchased Bonds or Bonds owned by the Borrower), or any units of principal amount thereof in Authorized Denominations, will be purchased from the proceeds of remarketing thereof as described in the Indenture or from the sources described under "Purchase of Bonds Not Remarketed" below, (a) on demand of the owner of such Bond (or, so long as Bonds are in "book-entry only" form, demand of a DTC Participant, with respect to such Bonds) on any Business Day during a Variable Period which is an Optional Tender Date (as defined below), or (b) upon being tendered or deemed tendered pursuant to the Indenture, on any Reset Adjustment Date, Variable Rate Adjustment Date, the Fixed Rate Adjustment Date and any Substitution Date (even if such Reset Adjustment Date, Variable Rate Adjustment Date, Fixed Rate Adjustment Date or Substitution Date for which the Trustee has delivered notice has been given fails to occur). Bonds will be purchased for a Purchase Price equal to the principal amount thereof, or of any units thereof purchased in Authorized Denominations, plus interest accrued thereon, if any, to the Settlement Date. The Bonds are to be purchased upon (a) in the case of a purchase upon the demand of an owner or DTC Participant, delivery to the Tender Agent, with a copy to the Trustee and the Remarketing Agent, of a written notice (a "Tender Notice") that states (i) the principal amount of such Bond for which payment is demanded, (ii) that such demand is irrevocable and (iii) the date on which such Bond or units of principal amount thereof in Authorized Denominations will be purchased, which date will be a Business Day not prior to the seventh day next succeeding the date of the receipt of the Tender Notice by the Tender Agent (an "Optional Tender Date"); and (b) in all cases,

delivery of such Bond (with an appropriate transfer of registration form executed in blank and in form satisfactory to the Tender Agent) to the Tender Agent, at or prior to 9:30 a.m., Washington, D.C., time, on the Settlement Date. In the event that a depository is appointed pursuant to the Indenture and a "book-entry only" system is in effect with respect to the Bonds, delivery of Bonds for purchase on the Settlement Date will be effected in the manner set forth by such depository.

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

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

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

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

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

Mandatory Tender of Bonds

Holders of the Bonds will be required to tender their Bonds to the Tender Agent on any Reset Adjustment Date, Variable Rate Adjustment Date, the Fixed Rate Adjustment Date or any Substitution Date in accordance with and subject to the provisions of the Indenture.

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

Purchase of Bonds Not Remarketed

In the event that either the Tender Agent has not received notice of successful remarketing of all tendered bonds by the day that is one day prior to the Settlement Date or the proceeds of remarketing of any tendered Bond have not been received by the Tender Agent on or prior to 10:00 a.m., Washington, D.C., time on the Settlement Date, the Trustee, within the time required by the terms of the Credit Facility, is to draw on the Credit Facility in an amount sufficient to enable the Tender Agent to pay the Purchase Price of each such Bond. On each Settlement Date, the Trustee is to pay or cause to be paid to the Tender Agent the Purchase Price of any Bonds for which it has received a Tender Notice and that have not been remarketed pursuant to the Indenture, but only from (i) money obtained by the Trustee pursuant to the Credit Facility to enable the Trustee to pay the Purchase Price of such tendered Bonds, which amounts are to be transferred by the Trustee to the Tender Agent at or before 3:00 p.m., Washington, D.C., time, on the Settlement Date, (ii) Eligible Funds from the Borrower to the extent that money obtained pursuant to (i) above is insufficient on any date to pay the Purchase Price of tendered Bonds; and (iii) in connection with a mandatory tender on a Substitution Date, amounts in the Bond Mortgage Loan Fund.

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

Mandatory Tender of the Bonds on Substitution Date

The Borrower, pursuant to the Financing Agreement, is permitted, with the confirmation to the Trustee from the Credit Facility Provider that the provisions of the Reimbursement Agreement have been met, to provide an Alternate Credit Facility to replace the then outstanding Credit Facility at the times specified in the Financing Agreement.

The Bonds will be subject to mandatory tender for purchase on any Substitution Date from the sources available for such purpose as described under "Purchase of Bonds Not Remarketed" above at a Purchase Price equal to the principal amount thereof plus accrued interest to the Substitution Date.

Upon receipt by the Trustee of (i) notice from the Borrower of a planned substitution specifying the Substitution Date (which may occur on any date permitted by the Financing Agreement); (ii) the consent of the Credit Facility Provider, if required under the Financing Agreement; and (iii) a form of the Alternate Credit Facility to be in effect on and after the Substitution Date and an irrevocable commitment to deliver such Alternate Credit Facility, the form of the disclosure document (if any) to be used in connection with the remarketing of the Bonds on the Substitution Date, and a form of the documents required pursuant to the Financing Agreement (other than the confirmation of the Rating Agency specified therein), the Trustee is to establish the Substitution Date for the mandatory tender and purchase of the Bonds. Such Substitution Date must be not less than five days following the Trustee's receipt of the Alternate Credit Facility to be in effect on and after the Substitution Date (which Alternate Credit Facility may be delivered in escrow), and such other required documents; provided, however, the Substitution Date may be at a later date if the Trustee has received a commitment to extend the existing Credit Facility pursuant to the Financing Agreement (except the Rating Letter specified therein) or the

existing Credit Facility will be in place for up to a time period of not less than 15 days following the Trustee's receipt of the Alternate Credit Facility.

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

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

The Trustee will draw on the existing Credit Facility in accordance with the provisions of the Indenture with regard to the purchase of Bonds as described above prior to the delivery of the then outstanding Credit Facility to the Credit Facility Provider and prior to providing notice to the then existing Credit Facility Provider that the Alternate Credit Facility is in effect; provided, however, that the Trustee will not surrender the existing Credit Facility until all draws have been honored by the related Credit Facility Provider.

Conversion

Notwithstanding any other provision of the Indenture to the contrary, if the Conversion Notice is issued no less than 10 days before the Forward Commitment Maturity Date, Conversion will occur on the Conversion Date specified in the Conversion Notice. The Trustee will, not less than 7 days prior to the Conversion Date, give written notice of Conversion to the Bondholders. Conversion will not require, and will be effective without, the consent of the Bondholders. The Conversion Date will not constitute a Substitution Date. The Issuer and the Trustee acknowledge that on the Conversion Date, pursuant to the Construction Phase Credit Assignment, the Initial Permanent Phase Credit Facility Provider will succeed to all of the rights and interests of the Initial Construction Phase Credit Facility Provider under the Bond Financing Documents and the Bond Mortgage Loan Documents (other than the Construction Phase Reimbursement Agreement) with the authority to exercise the rights otherwise granted to the Construction Phase Credit Facility Provider under the Bond Financing Documents and the Bond Mortgage Loan Documents. Upon receipt by the Trustee of the Initial Permanent Phase Credit Facility, the Trustee will surrender the Construction Phase Credit Facility to the Initial Construction Phase Credit Facility Provider.

If the Conversion Notice is not issued at least 10 days before the Forward Commitment Maturity Date, Conversion will not occur and the Initial Permanent Phase Credit Facility Provider will not have any obligation to provide the Initial Permanent Phase Credit Facility and will not otherwise have any obligation with respect to the Bonds or the Bond Mortgage Loan.

Optional Redemption

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

The Trustee is to redeem Bonds on the earliest practicable date for which notice of redemption may be given under the Indenture and in any event not later than 35 days following its receipt of money representing an optional prepayment of the Bond Mortgage Loan.

Mandatory Redemption

The Bonds are subject to mandatory redemption on any date, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium, at the earliest practicable date from payments made under the Credit Facility or from funds transferred from the Bond Proceeds Account of the Bond Mortgage Loan Fund to the Redemption Fund pursuant to the Indenture, upon the occurrence of any of the following:

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

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

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

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

(e) in part, in the event and to the extent that amounts remaining in the Bond Mortgage Loan Fund are transferred to the Redemption Fund pursuant to the Indenture for application to the redemption of Bonds; or

(f) in part, in Authorized Denominations, on each Interest Payment Date following the Conversion Date, if and to the extent amounts are transferred from the Principal Reserve Fund to the Redemption Fund.

Notice of Redemption

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

Notices of redemption will state the redemption date and the redemption price, the place or places where amounts due upon such redemption will be payable, and, if less than all of the then Outstanding Bonds are called for redemption, will state (a) the numbers of the Bonds to be redeemed by giving the individual certificate number of each Bond to be redeemed or will state that all Bonds between two stated certificate numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption; (b) the CUSIP numbers of all Bonds being redeemed if available; (c) the amount of each Bond being redeemed (in the case of a partial redemption); (d) the date of issue of the Bond as originally issued; (e) the rate of interest borne by each Bond redeemed or that the Bonds bear interest at a Variable Rate; (f) the maturity date of each Bond being redeemed; (g) the possibility of a purchase of Bonds in lieu of redemption, if applicable; (h) the conditions, if any, which must be satisfied in order for the redemption to take place on the scheduled date of redemption, including that Eligible Funds are available to pay any redemption premium on the Bonds; and (i) any other descriptive information needed to identify accurately the Bonds being redeemed. While the Bonds are in a book-entry only system, notice of redemption will be given only to Cede & Co., as nominee for DTC, and beneficial owners of Bonds will not receive notice of redemption from the Bond Trustee.

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

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

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

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

Effect of Notice of Redemption

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

Purchase of Bonds in Lieu of Redemption or Acceleration

At any time that the Bonds are subject to acceleration or redemption in whole or in part pursuant to the provisions of the Indenture, all of the Bonds to be redeemed or accelerated may be purchased by the Trustee (for the account of the Borrower or the Credit Facility Provider or their respective designee, as directed by such party) on the date that would be the redemption date, which date will be treated as a mandatory tender date for purposes of the Indenture, at the direction of the Credit Facility Provider or the Borrower, with the prior written consent of the Credit Facility Provider, on such redemption date, at a purchase price equal to the redemption price that would have been applicable to such Bonds on the redemption date. The Bonds are to be purchased in lieu of redemption only from amounts provided by the Credit Facility Provider or from other Eligible Funds. In the event the Trustee is so directed to purchase Bonds in lieu of redemption, no notice to the holders of the Bonds to be so purchased (other than the notice of redemption otherwise required under the Indenture) will be required.

REMARKETING OF THE BONDS

The Remarketing Agent is Paid by the Borrower

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

The Remarketing Agent Routinely Purchases Bonds for its Own Account

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

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

Pursuant to the Remarketing Agreement, during the Variable Period, the Remarketing Agent is required to determine the applicable rate of interest that, in its reasonable professional, on the basis of prevailing financial market conditions judgment, is the interest rate would be the interest rate necessary, but which would not exceed the interest rate necessary, to be borne by the Bonds in order for the market value of the Bonds on such Variable Interest Computation Date to be 100% of the principal amount thereof (disregarding accrued interest) if the Bonds were sold on such Variable Rate Interest Computation Date; provided, however, that in no event shall the Variable Rate at any time exceed the Maximum Rate.

The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Bonds tendered and remarketed on a Variable Interest Computation Date, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price. The Remarketing Agent, in its sole discretion, may offer Bonds on any date, including the Variable Interest Computation Date, at a discount to par to some investors.

The Ability to Sell the Bonds other than through Tender Process May Be Limited

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

Under Certain Circumstances, the Remarketing Agent May be Removed, Resign or Cease Remarketing the Bonds

Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts subject to the terms of the Remarketing Agreement and the Indenture. No removal or resignation of the Remarketing Agent will be effective until a successor remarketing agent has been appointed and has accepted such appointment.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Trust Estate

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

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

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

(c) except for amounts in the Bond Purchase Fund, the Rebate Fund, the Principal Reserve Fund, the Administration Fund, the Equity Account of the Bond Mortgage Loan Fund and the Cost of

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

Limited Obligations

ANY OBLIGATION WHICH THE ISSUER MAY INCUR UNDER THE INDENTURE OR UNDER ANY INSTRUMENT EXECUTED IN CONNECTION THEREWITH WHICH WILL ENTAIL THE EXPENDITURE OF MONEY WILL NOT BE A GENERAL OBLIGATION OF THE ISSUER BUT WILL BE A SPECIAL LIMITED OBLIGATION PAYABLE SOLELY FROM THE TRUST ESTATE. THE BONDS WILL CONSTITUTE A VALID CLAIM OF THE RESPECTIVE BONDHOLDERS THEREOF AGAINST THE TRUST ESTATE, WHICH IS PLEDGED TO SECURE THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS AND WHICH WILL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THE INDENTURE. THE BONDS, TOGETHER WITH INTEREST THEREON, WILL BE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER GIVING RISE TO NO CHARGE AGAINST THE ISSUER'S GENERAL CREDIT AND PAYABLE SOLELY FROM, AND CONSTITUTE CLAIMS OF THE BONDHOLDERS THEREOF AGAINST ONLY, THE TRUST ESTATE. THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON WILL NOT BE DEEMED TO CONSTITUTE DEBT OF THE ISSUER (EXCEPT TO THE EXTENT OF THE TRUST ESTATE), THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WILL BE LIABLE THEREON, AND NOT IN ANY EVENT WILL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THERETO. THE ISSUER HAS NO TAXING POWER.

The Initial Construction Phase Credit Facility

During the Construction Phase, payments of principal and Purchase Price of and interest on the Bonds will be secured by the Initial Construction Phase Credit Facility. Pursuant to the Initial Construction Phase Credit Facility, the Trustee may draw an amount sufficient to pay the principal and Purchase Price of and interest on the Bonds. A copy of the form of the Initial Construction Phase Credit Facility is attached to this Official Statement as Appendix C.

Conversion

Pursuant to the Forward Commitment, the Initial Permanent Phase Credit Facility Provider's obligation to issue the Initial Permanent Phase Credit Facility is subject to satisfaction of the Conditions to Conversion set forth in the Construction Phase Financing Agreement and in the Forward Commitment on or prior to the Forward Commitment Maturity Date. If the Conditions to Conversion are satisfied on or prior to the Forward Commitment Maturity Date (or, to the extent not satisfied, are waived by the Initial Permanent Phase Credit Facility Provider), Conversion will occur. The Conditions to Conversion include, but are not limited to, completion of construction of the Development substantially in compliance with the approved plans and specifications and the achievement of certain specified levels of occupancy from the leasing of units in the Development. No assurance can be given that all of the Conditions to Conversion will be satisfied on or prior to the Forward Commitment Maturity Date. See Appendix B: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—The Construction Phase Financing Agreement."

If the Conditions to Conversion are not satisfied prior to the Forward Commitment Maturity Date (or, to the extent not satisfied, are not waived by the Initial Permanent Phase Credit Facility Provider), the Bond Mortgage Loan will not convert from the Construction Phase to the Permanent Phase, and the Initial

Permanent Phase Credit Facility Provider will not have any obligation to provide the Initial Permanent Phase Credit Facility and will not otherwise have any obligation with respect to the Bonds or the Bond Mortgage Loan.

The Initial Permanent Phase Credit Facility

Upon Conversion, the Trustee will return the Initial Construction Phase Credit Facility to the Initial Construction Phase Credit Facility Provider and the Initial Permanent Phase Credit Facility will secure payments of principal of and interest on the Bond Mortgage Loan and payments of the Purchase Price on the Bonds. Pursuant to the Initial Permanent Phase Credit Facility, the Initial Permanent Phase Credit Facility Provider will be required to pay Guaranteed Payments with respect to the Bond Mortgage Loan when and in the amounts due, and the Purchase Price of the Bonds in accordance with the terms of the Initial Permanent Phase Credit Facility. See "THE INITIAL PERMANENT PHASE CREDIT FACILITY PROVIDER," "THE INITIAL PERMANENT PHASE CREDIT FACILITY" and appendix D: "FORM OF CREDIT ENHANCEMENT AGREEMENT."

Alternate Credit Facility

The Borrower may, with the confirmation of the Credit Facility Provider that the provisions of the Reimbursement Agreement have been meet, but without the consent of Bondholders, on any Business Day (a "Substitution Date"), provide for an Alternate Credit Facility to replace then existing Credit Facility at the times specified in the Financing Agreement. The Bonds are subject to mandatory tender for purchase on the Substitution Date. See "THE BONDS—Mandatory Tender of Bonds on Substitution Date."

There will be no tender for purchase of Bonds in connection with the Conversion from the Initial Construction Phase Credit Facility to the Initial Permanent Phase Credit Facility.

THE INITIAL CONSTRUCTION PHASE CREDIT FACILITY PROVIDER

The information presented under this caption "THE INITIAL CONSTRUCTION PHASE CREDIT FACILITY PROVIDER" has been supplied by the Initial Construction Phase Credit Facility Provider. None of the Issuer, the Trustee, the Borrower or the Underwriters has independently verified such information, and none assumes responsibility for the accuracy of such information.

The Initial Construction Phase Credit Facility Provider is a national banking association organized under the laws of the United States of America, with its principal executive offices located in Charlotte, North Carolina. The Initial Construction Phase Credit Facility Provider is a wholly-owned indirect subsidiary of Bank of America Corporation (the "Corporation") and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of December 31, 2008, the Initial Construction Phase Credit Facility Provider had consolidated assets of $1,472 billion, consolidated deposits of $955 billion and stockholder's equity of $133 billion based on regulatory accounting principles.

The Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2008, together with its subsequent periodic and current reports filed with the Securities and Exchange Commission (the "SEC").

Filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, United States, at prescribed rates. In addition, the SEC

maintains a website at http://www.sec.gov, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning the Corporation and the Initial Construction Phase Credit Facility Provider is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

The Initial Construction Phase Credit Facility has been issued by the Initial Construction Phase Credit Facility Provider. Moody's currently rates the Initial Construction Phase Credit Facility Provider's long-term debt as "Aa3" and short-term debt as "P-1." The rating is stable. S&P currently rates the Initial Construction Phase Credit Facility Provider's long-term debt as "A+" and its short-term debt as "A-1." The outlook is negative. Fitch Ratings, Inc. ("Fitch") currently rates long-term debt of the Initial Construction Phase Credit Facility Provider as "A+" and short-term debt as "F1+." The outlook is stable. Further information with respect to such ratings may be obtained from Moody's, S&P's and Fitch, respectively. No assurances can be given that the current ratings of the Initial Construction Phase Credit Facility Provider's instruments will be maintained.

The Initial Construction Phase Credit Facility Provider will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the SEC pursuant to the Exchange Act), and the publicly available portions of the most recent quarterly Call Report of the Initial Construction Phase Credit Facility Provider delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporate Communications
100 North Tryon Street, 18th Floor
Charlotte, North Carolina 28255
Attention: Corporate Communication

DURING THE CONSTRUCTION PHASE, PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE INITIAL CONSTRUCTION PHASE CREDIT FACILITY. PAYMENTS OF THE PURCHASE PRICE OF THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE INITIAL CONSTRUCTION PHASE CREDIT FACILITY IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE INITIAL CONSTRUCTION PHASE CREDIT FACILITY IS A BINDING OBLIGATION OF THE INITIAL CONSTRUCTION PHASE CREDIT FACILITY PROVIDER, THE BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The delivery hereof will not create any implication that there has been no change in the affairs of the Corporation or the Initial Construction Phase Credit Facility Provider since the date hereof, or that the information contained or referred to above is correct as of any time subsequent to its date.

THE INITIAL PERMANENT PHASE CREDIT FACILITY PROVIDER

The information presented under this caption "THE INITIAL PERMANENT PHASE CREDIT FACILITY PROVIDER" has been supplied by the Initial Permanent Phase Credit Facility Provider. None of the Issuer, the Trustee, the Borrower or the Underwriters has independently verified such

information, and none assumes responsibility for the accuracy of such information. The information is qualified in its entirety by reference to the Incorporated Documents, as defined below.

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

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

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

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

As described below, the Initial Permanent Phase Credit Facility Provider incorporates certain documents by reference in this Official Statement, which means that the Initial Permanent Phase Credit Facility Provider is disclosing information to you by referring you to those documents rather than by providing you with separate copies. The Initial Permanent Phase Credit Facility Provider incorporates by reference in this Official Statement its proxy statement, and all documents that the Initial Permanent

Phase Credit Facility Provider files with the SEC pursuant to Section 13(a), 13(c) or 14 of the Exchange Act, after July 18, 2008 and prior to the completion of the offering of the related Bonds, excluding any information that the Initial Permanent Phase Credit Facility Provider may "furnish" to the SEC but that is not deemed to be "filed." The Initial Permanent Phase Credit Facility Provider also incorporates by reference its Registration Statement on Form 10, in the form declared effective by the SEC on July 18, 2008 (the "Registration Statement"). These documents are collectively referred to as the "Incorporated Documents" and are considered part of this Official Statement. You should read this Official Statement, in conjunction with the Incorporated Documents. Information that the Initial Permanent Phase Credit Facility Provider incorporates by reference will automatically update information in this Official Statement. Therefore, you should rely only on the most current information provided or incorporated by reference in this Official Statement.

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

The Initial Permanent Phase Credit Facility Provider makes no representations as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility of performance of any project, or compliance with any securities, tax or other laws or regulations. The Initial Permanent Phase Credit Facility Provider's role is limited to discharging its obligations under the Initial Permanent Phase Credit Facility.

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

THE INITIAL CONSTRUCTION PHASE CREDIT FACILITY

The following is a brief summary of certain provisions of the Initial Construction Phase Credit Facility. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Initial Construction Phase Credit Facility, a form of which is attached hereto as Appendix C, and the final copy of which is on file with the Trustee.

The Initial Construction Phase Credit Facility is in the stated amount of 13,847,529 of which (1) $13,690,000 will be available to the Trustee to pay the principal of the Bonds at maturity or upon redemption or acceleration or to pay the portion of the purchase price of Bonds tendered or deemed tendered for purchase representing the principal amount of such Bonds, and (2) 157,529 will be available to pay interest on the Bonds or to pay the portion of the purchase price of Bonds tendered or deemed tendered for purchase representing accrued interest on such Bonds.

Drawings by the Trustee under the Initial Construction Phase Credit Facility will reduce the amounts available for subsequent drawings, subject to reinstatement as provided in the Initial Construction Phase Credit Facility. Upon the Initial Construction Phase Credit Facility Provider's honoring of any draft presented by the Trustee under and pursuant to the Initial Construction Phase Credit Facility, the amount of the Initial Construction Phase Credit Facility and the amounts available to be drawn thereunder by the Trustee upon any subsequent draft, will be automatically decreased by an amount equal to the amount of such draft.

The amount available to be drawn under the Initial Construction Phase Credit Facility will be reinstated, following the payment by the Initial Construction Phase Credit Facility Provider of any amount drawn by presentation of a draft in the form of Annex C to the Initial Construction Phase Credit Facility (a "Tender Drawing"), upon presentation to the Initial Construction Phase Credit Facility Provider of a certificate in the form of Annex G to the Initial Construction Phase Credit Facility and reimbursement to the Initial Construction Phase Credit Facility Provider from remarketing proceeds for all or a portion of such demand. In addition, the amount available to be drawn under the Initial Construction Phase Credit Facility will be reinstated automatically by the amount of each draft presented in the form of Annex A to the Initial Construction Phase Credit Facility (an "Interest Drawing") on the day such demand is honored by the Initial Construction Phase Credit Facility Provider.

The Initial Construction Phase Credit Facility expires on February 1, 2012, but is subject to earlier surrender for cancellation in certain events, including delivery of an Alternate Credit Facility.

The form of the Initial Construction Phase Credit Facility is attached hereto as Appendix C: "FORM OF INITIAL CONSTRUCTION PHASE CREDIT FACILITY".

SUMMARY OF CERTAIN PROVISIONS OF THE INITIAL CONSTRUCTION PHASE REIMBURSEMENT AGREEMENT

The following statements are a brief summary of certain provisions of the Initial Construction Phase Reimbursement Agreement. This summary does not purport to be complete, and reference is made to the Initial Construction Phase Reimbursement Agreement for a full and complete statement of the provisions thereof. Capitalized terms used in this summary and not otherwise expressly defined in this summary will have the meanings set forth for those terms in the Initial Construction Phase Reimbursement Agreement.

The Initial Construction Phase Credit Facility is issued pursuant to the Initial Construction Phase Reimbursement Agreement, which obligates the Borrower, among other things, to reimburse the Initial Construction Phase Credit Facility Provider for funds advanced by the Initial Construction Phase Credit Facility Provider under the Initial Construction Phase Credit Facility and to pay various fees and expenses, in each case as provided in the Initial Construction Phase Reimbursement Agreement.

The Initial Construction Phase Reimbursement Agreement sets forth various affirmative and negative covenants of the Borrower, some of which are more restrictive with respect to the Borrower than similar covenants in the Indenture or Financing Agreement.

The obligations of the Borrower under the Initial Construction Phase Reimbursement Agreement, and under certain other documents executed in connection with the Initial Construction Phase Reimbursement Agreement (collectively, the "Loan Documents") are guaranteed by NRP Investment Corp., an Ohio corporation, NRP Holdings, LLC, an Ohio limited liability company, NRP Contractors, LLC, an Ohio limited liability company, Richard Bailey, an individual, J. David Heller, an individual, and Alan F. Scott, an individual (collectively, "Guarantor") pursuant to a Guaranty Agreement, in each case executed by the Guarantor in favor of the Initial Construction Phase Credit Facility Provider and dated as of May 1, 2009 (collectively, the "Guaranty"). The obligations of the Borrower under the Initial

Construction Phase Reimbursement Agreement and the other Loan Documents are secured by, among other things, the Reimbursement Mortgage, and by security interests in certain tangible and intangible personal property and accounts of Borrower.

The Initial Construction Phase Credit Facility Provider and the Borrower may agree at any time to alter, modify or amend the terms of the Initial Construction Phase Reimbursement Agreement or any of the other Loan Documents, including the events which constitute "Events of Default" thereunder, without notice to or consent of any owners of the Bonds or the Trustee. Furthermore, the Initial Construction Phase Credit Facility Provider may unilaterally waive any Event of Default which may occur under the terms of the Initial Construction Phase Reimbursement Agreement or the other Loan Documents, without notice to or consent of any other person. Accordingly, there should be no expectation on the part of any prospective purchaser of the Bonds that the occurrence of an Event of Default under the Initial Construction Phase Reimbursement Agreement will necessarily result in implementation of remedies by the Initial Construction Phase Credit Facility Provider or in the call of any or all of the Bonds for mandatory tender or redemption under the Indenture.

Money in the Bond Mortgage Loan Fund may be disbursed by the Trustee to or for the account of the Borrower only by means of a requisition approved by the Initial Construction Phase Credit Facility Provider. The Initial Construction Phase Reimbursement Agreement sets forth certain conditions to such approval, including without limitation (i) compliance with plans and specifications approved by the Initial Construction Phase Credit Facility Provider, (ii) compliance with a budget approved from time to time by the Initial Construction Phase Credit Facility Provider, (iii) the occurrence of no Event of Default or event which, with the giving of notice or the passage of time, or both, would be an Event of Default under the Initial Construction Phase Reimbursement Agreement or the other Loan Documents, (iv) delivery of certain invoices, lien releases and other documents by the Owner and by suppliers of labor and materials to the Development. The Initial Construction Phase Credit Facility Provider does not assure that these procedures will insure that the Development will remain on budget or that the proceeds of the Bonds will be sufficient to fund the costs of construction of the Development, and the Initial Construction Phase Credit Facility Provider undertakes no duty to the Trustee or to any Bondholder to insure that the Borrower complies with plans, specifications, budgets or other project-related documents.

Bonds tendered for purchase, not remarketed and purchased with the proceeds of a drawing upon the Initial Construction Phase Credit Facility will be subject to a security interest in favor of the Initial Construction Phase Credit Facility Provider.

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

(a) Borrower fails to make any payment of money required pursuant to the Initial Construction Phase Reimbursement Agreement by the end of the fifth business day following the date on which such payments become due; or

(b) Borrower fails to make any other payment of money or fails to make any deposit of funds required by Initial Construction Phase Credit Facility Provider under the Initial Construction Phase Reimbursement Agreement or any of the Loan Documents the fifth day following the date on which such payments or deposits become due or Initial Construction Phase Credit Facility Provider's demand therefor; or

(c) Borrower or any general partner in Borrower or Guarantor, becomes the subject of any bankruptcy or other voluntary or involuntary proceeding, in or out of court, for the adjustment of debtor-creditor relationships ("Insolvency Proceeding"), and as to any involuntary Insolvency Proceeding, it either (i) is consented to or (ii) has not been dismissed within 90 days; or

(d) Borrower or any general partner in Borrower or any business entity Guarantor dissolves (provided such dissolved Borrower, general partner or any Guarantor shall have five Banking Days to cure an inadvertent dissolution) or liquidates, unless such general partner is replaced by an Approved Substitute GP (as defined in the Initial Construction Phase Reimbursement Agreement); or

(e) Any general partner of Borrower ceases for any reason to act in that capacity, except for the removal of any general partners by the Investor Limited Partner or the admission of an additional general partner pursuant to the Partnership Agreement which does not qualify as an Accelerating Transfer (as defined in the Initial Construction Phase Reimbursement Agreement); or

(f) An Accelerating Transfer occurs; or

(g) Any representation or warranty made or given in any of the Loan Documents or the Bond Documents proves to be false or misleading in any material adverse respect when made and not corrected within 30 days after written notice thereof is given to the Borrower by the Initial Construction Phase Credit Facility Provider or within 90 days if such cannot reasonably be cured within 30 days so long as cure is being diligently pursued; or

(h) Construction of the Development is abandoned or otherwise not completed by the Completion Date or the other requirements set forth in the Pro Forma Schedule, as defined in the Initial Construction Phase Reimbursement Agreement, are not satisfied by the respective dates set forth in the Pro Forma Schedule, subject to force majeure, unless agreed to pursuant to the terms hereof; or

(i) Construction of the Development is halted prior to completion for any period of 30 consecutive days for any cause not beyond the reasonable control of Borrower or any of its contractors or subcontractors; or

(j) Any Governmental Agency, as defined in the Initial Construction Phase Reimbursement Agreement, having jurisdiction over the Development orders or requires that construction of the Improvements be stopped in whole or in part, or any required approval, license or permit is withdrawn or suspended, and the order, requirement, withdrawal or suspension remains in effect either (i) for a period of 30 consecutive days ("Initial Cure Period"), or (ii) so long as Borrower begins within the Initial Cure Period and continues diligently to take steps to remove the effect of the order, requirement, withdrawal or suspension, and Initial Construction Phase Credit Facility Provider, exercising reasonable judgment, determines that Borrower is reasonably likely to prevail, for a total period of 90 days; or

(k) Borrower is in default under any of the Project Agreements or any non-residential lease of any part of the Development or any space within the Improvements, either (i) for the Initial Cure Period, or (ii) so long as Borrower begins within the Initial Cure Period and continues diligently to cure the default, and Initial Construction Phase Credit Facility Provider, exercising reasonable judgment, determines that the cure cannot be reasonably completed at or before expiration of the Initial Cure Period, for a total period of 90 days; or

(l) A material adverse change occurs in the financial condition of Borrower or any general partner of Borrower or any Guarantor, or an event or condition materially impairing Borrower's intended use of the Development or Borrower's ability to perform its obligations under the Initial Construction Phase Reimbursement Agreement, the Bond Documents or the Loan Documents occurs; or

(m) Any Guarantor: (i) fails to timely perform its obligations under any Guaranty or any Guarantor attempts to revoke or repudiate its Guaranty or any of its obligations under any Guaranty or (ii) dies; provided, however, that it will not be an Event of Default under the Initial Construction Phase Reimbursement Agreement if (A) Initial Construction Phase Credit Facility Provider determines, in its reasonable discretion, that it continues to be secured notwithstanding the death of a Guarantor or (B) prior

to the date which is 60 days after the last day for filing a claim in the estate of such deceased party, the claim of Initial Construction Phase Credit Facility Provider will have been accepted and approved by the court administering that estate and a plan reasonably satisfactory to Initial Construction Phase Credit Facility Provider will have been approved by the court to ensure that sufficient assets will be available to pay that claim, if and when it matures and further provided, nothing in this Guaranty will prevent Initial Construction Phase Credit Facility Provider from filing a claim and such supporting documentation as may be required in the estate of the deceased party, or

(n) A judgment, injunction or other order of a court or other Governmental Agency is entered against Borrower or any agent of Borrower in connection with the Development, or any Governmental Agency takes action, any of which materially adversely affecting the construction of the Improvements, Borrower's intended use of the Development or Borrower's ability to perform its obligations under the Bond Documents or the Loan Documents; or

(o) Borrower fails to comply with any provision contained in this Agreement other than those provisions elsewhere referred to in the Event of Default section of the Initial Construction Phase Reimbursement Agreement, and does not cure that failure either (i) within the Initial Cure Period after written notice from Initial Construction Phase Credit Facility Provider, or (ii) within 90 days after such written notice, so long as Borrower begins within the Initial Cure Period and continues diligently to cure the failure, and Initial Construction Phase Credit Facility Provider, exercising reasonable judgment, determines that the cure cannot be reasonably completed at or before expiration of the Initial Cure Period; or

(p) Any Event of Default as defined in the Bond Documents occurs after the expiration of all applicable notice, grace, and cure periods; or

(q) Any Event of Default or Default pursuant to any Subordinate Loan Document, as defined in the Initial Construction Phase Reimbursement Agreement, occurs after the expiration of all applicable notice, grace, and cure periods; or

(r) All or a substantial portion of the Development is condemned, seized or appropriated by a Governmental Agency; or

(s) The Development is materially damaged or destroyed by fire or other casualty, unless Borrower satisfies the conditions of section of the Initial Construction Phase Reimbursement Agreement pertaining to casualty or insurance proceeds and thereafter diligently restores the Development in accordance with the Initial Construction Phase Reimbursement Agreement, the Reimbursement Mortgage and the Bond Documents, within a reasonable time period; or

(t) Any Bond Document or Project Agreement, as defined in the Initial Construction Phase Reimbursement Agreement, is materially amended, or is deemed to have been materially amended, provided such amendment has a material adverse affect on Initial Construction Phase Credit Facility Provider, without Initial Construction Phase Credit Facility Provider's prior consent; or

(u) Any "Event of Default" occurs and continues beyond the expiration of any applicable grace or cure period under the Construction Phase Financing Agreement; or

(v) An "Event of Default" or mandatory redemption occurs under any of the Loan Documents or the Bond Documents or the obligation to make payment on the debt evidenced by the Financing Agreement or the Bonds is accelerated for any reason other than a redemption from excess Bond Proceeds; or

(w) Borrower fails to cause Investor Limited Partner, as defined in the Initial Construction Phase Reimbursement Agreement, to deliver its capital contributions when due and payable as in the amounts and at the times set forth in the Partnership Agreement, as defined in the Initial Construction Phase Reimbursement Agreement; or

(x) Any material default by Borrower or any general or limited partner of Borrower occurs under the Partnership Agreement and such default is not cured within any applicable cure period provided for in the Partnership Agreement or the Partnership Agreement is materially amended, modified or canceled without Initial Construction Phase Credit Facility Provider's written consent which shall not be unreasonably withheld or delayed. Investor Limited Partner shall not be deemed in default under the Partnership Agreement if it disputes the existence or satisfaction of any condition precedent to its obligation to make a capital contribution under the Partnership Agreement so long as such dispute is conducted pursuant to the terms of the Partnership Agreement.

If any Event of Default occurs under the Initial Construction Phase Reimbursement Agreement, the Initial Construction Phase Credit Facility Provider may exercise any right or remedy under any of the Loan Documents or the Bond Documents or otherwise available at law or in equity, and all of the Initial Construction Phase Credit Facility Provider's rights and remedies are cumulative. If any Event of Default occurs, the Initial Construction Phase Credit Facility Provider in its sole discretion may terminate its obligation to consent to, and make, Disbursements. The Initial Construction Phase Credit Facility Provider may also withhold its consent to, or refuse to make any one or more Disbursements after an event occurs that, with notice or the passage of time, could become an Event of Default. Neither consent to Disbursement by the Initial Construction Phase Credit Facility Provider nor the Initial Construction Phase Credit Facility Provider's making of any Disbursement will cure any default of Borrower, unless the Initial Construction Phase Credit Facility Provider agrees otherwise in writing in each instance.

If an Event of Default occurs under paragraph (c) above, all of Borrower's obligations under the Loan Documents and the Bond Documents will automatically become immediately due and payable upon the filing of the petition commencing such proceeding, all without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notices or demands of any kind or character. If such acceleration occurs, the Initial Construction Phase Credit Facility Provider may consent to the application of the undisbursed Bond Proceeds or other sums held by the Trustee and any sums in the Borrower's Funds Account (as such term is defined in the Construction Phase Reimbursement Agreement) to costs of construction, maintenance or operation of the Development or to payment or collateralization of Borrower's obligations under the Loan Documents and the Bond Documents, in any order and proportions in the Initial Construction Phase Credit Facility Provider's sole discretion.

Upon the occurrence of any Event of Default, the Initial Construction Phase Credit Facility Provider in its sole discretion may do any or all of the following:

(a) Enter and take possession of the Property, whether in person, by agent or by court-appointed receiver, and take any and all actions that the Initial Construction Phase Credit Facility Provider in its sole discretion may consider necessary to complete construction of the Improvements, including making changes in plans, specifications, work or materials and entering into, modifying or terminating any contractual arrangements, all subject to the Initial Construction Phase Credit Facility Provider's right at any time to discontinue any work without liability. By choosing to complete the Improvements, the Initial Construction Phase Credit Facility Provider does not assume any liability to Borrower or any other person for completing them or for the manner or quality of their construction, and Borrower expressly waives any such liability. If the Initial Construction Phase Credit Facility Provider exercises any of the rights or remedies provided in this clause (a), that exercise will not make the Initial Construction Phase Credit Facility Provider, or cause the Initial Construction Phase Credit Facility Provider to be deemed, a partner or joint venturer of Borrower. The Initial Construction Phase Credit Facility Provider in its sole discretion may choose to complete construction in its own name. All sums

expended by the Initial Construction Phase Credit Facility Provider in completing construction will be considered to have been disbursed to Borrower and will be secured by the Bank Mortgage and any other collateral held by the Initial Construction Phase Credit Facility Provider in connection with the Loan Documents; any sums of principal will be considered to be an additional loan to Borrower bearing interest at the Default Rate and be secured by the Bank Mortgage and any other collateral held by the Initial Construction Phase Credit Facility Provider in connection with the Loan Documents. For these purposes the Initial Construction Phase Credit Facility Provider, in its sole discretion, may reallocate any line item or cost category of the cost breakdown.

(b) Declare the principal of all amounts owing under the Loan Documents, and all other indebtedness of Borrower to the Initial Construction Phase Credit Facility Provider, together with all accrued interest thereon and all other amounts owing in connection therewith, to be immediately due and payable, regardless of any other specified maturity or due date, without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notice or demand of any kind, and without the necessity of prior recourse to any security.

(c) Give notice to the Trustee of any such Event of Default pursuant to the provisions of the Indenture, in which event the Trustee will (i) fully draw on the Initial Construction Phase Credit Facility, (ii) apply the proceeds of such draw to prepay the Loan, and (iii) call all of the Bonds for mandatory redemption pursuant to the Indenture or, if the Initial Construction Phase Credit Facility Provider will so elect, purchase the Bonds in lieu of redemption, pursuant to the Indenture. An amount equal to the amount drawn under the Initial Construction Phase Credit Facility in connection with such redemption or purchase in lieu of redemption will become immediately due and payable by Borrower without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by Borrower.

(d) Exercise any and all of its rights under the Loan Documents or the Bond Documents, including foreclosing on any security, and exercise any other rights with respect to any security, whether under the Bank Mortgage, any UCC-1 financing statement in favor of the Initial Construction Phase Credit Facility Provider required pursuant to the Initial Construction Phase Reimbursement Agreement in order to perfect security interests in favor of the Initial Construction Phase Credit Facility Provider, and other mortgage, deed of trust, security agreement, financing statement, assignment or guaranty now, heretofore or hereafter executed to secure the obligations of Borrower to the Initial Construction Phase Credit Facility Provider under any Loan Document (collectively, the "Security Documents") or any other agreement or as provided by law, all in such order and in such manner as the Initial Construction Phase Credit Facility Provider in its sole discretion may determine.

(e) If the Event of Default may be cured by the Initial Construction Phase Credit Facility Provider by taking actions or making payments of money, the Initial Construction Phase Credit Facility Provider will have the right (but not the obligation), without waiving any right of foreclosure under the Bank Mortgage or other Security Documents which the Initial Construction Phase Credit Facility Provider may have by reason of such Event of Default, to take such actions (including the retention of attorneys and the commencement or prosecution of actions on its own behalf or on behalf of Borrower), make such payments and pay for the costs of such actions (including attorneys' fees and court costs) from its own funds; provided that the taking of such actions at the Initial Construction Phase Credit Facility Provider's expense or the making of such payments by the Initial Construction Phase Credit Facility Provider will not be deemed to cure such Event of Default, and the same will not be cured unless and until Borrower will have reimbursed the Initial Construction Phase Credit Facility Provider for such payment, together with interest at the Default Rate.

(f) Without limitation upon any of the Initial Construction Phase Credit Facility Provider's other rights or remedies under the Initial Construction Phase Reimbursement Agreement or the other Loan Documents, upon demand by the Initial Construction Phase Credit Facility Provider following the

occurrence of an Event of Default, Borrower will immediately deposit an amount equal to any amounts then available to be drawn under the Initial Construction Phase Credit Facility in a special non-interest bearing account with the Initial Construction Phase Credit Facility Provider to be held by the Initial Construction Phase Credit Facility Provider, for the benefit of the Initial Construction Phase Credit Facility Provider, as collateral security for the obligations described in the Initial Construction Phase Reimbursement Agreement. To the extent that Borrower fails to deliver such amount, Borrower agrees that such amount will be includable for all purposes in the amounts owing under the Initial Construction Phase Reimbursement Agreement. Without limitation upon the generality of the foregoing, Borrower agrees that such amounts may be included in credit bids upon foreclosure of the liens of any or all of the Security Documents. Such account will be pledged, pursuant to a pledge agreement in form and content satisfactory to the Initial Construction Phase Credit Facility Provider, to the Initial Construction Phase Credit Facility Provider as long as the Initial Construction Phase Credit Facility is outstanding or any obligation of Borrower under the Loan Documents remains outstanding, and will permit withdrawals only with the signature of the Initial Construction Phase Credit Facility Provider. Borrower hereby agrees to execute all documents required by the Initial Construction Phase Credit Facility Provider in connection with any such deposit in order to create, confirm, perfect, or permit the Initial Construction Phase Credit Facility Provider to realize upon, their security interests therein, and hereby irrevocably grants to the Initial Construction Phase Credit Facility Provider a power of attorney, coupled with an interest, to execute all such documents.

THE INITIAL PERMANENT PHASE CREDIT FACILITY

The following is a brief summary of certain provisions of the Initial Permanent Phase Credit Facility. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Initial Permanent Phase Credit Facility, a form of which is attached hereto as Appendix D.

On the Conversion Date, the Initial Permanent Phase Credit Facility Provider will deliver the Initial Permanent Phase Credit Facility to the Trustee, dated as of the Conversion Date, pursuant to which, subject to certain requirements set forth therein, the Initial Permanent Phase Credit Facility Provider agrees to make certain Guaranteed Payments to the Trustee related to the Bond Mortgage Loan (but not the obligations of the Borrower, to pay certain fees to the Issuer, the Initial Permanent Phase Credit Facility Provider, the Remarketing Agent and the Trustee) and to pay the Purchase Price of the Bonds under certain circumstances, all as described below.

On each Interest Payment Date and on any other date on which principal of the Bond Mortgage Note is paid, the Initial Permanent Phase Credit Facility Provider is required to pay the sum of the Interest and Principal Component of a Guaranteed Payment in accordance with the terms of the Initial Permanent Phase Credit Facility. The Guaranteed Payment during the Variable Period is comprised of (a) the Interest Component, which is (1) the regularly scheduled monthly payment of interest due on the unpaid balance of the Bond Mortgage Loan less interest accrued on any Purchased Bonds, adjusted solely on the first day of each Variable Interest Accrual Period, (2) upon optional or mandatory prepayment of the Bond Mortgage Loan, all accrued and unpaid interest on the amount paid less accrued interest on Purchased Bonds and (3) on the maturity date or upon the acceleration of the Bond Mortgage Note, all accrued and unpaid interest thereon, less accrued interest on Purchased Bonds; and (b) the Principal Component, which is, (1) the regularly scheduled payment of principal on the Bond Mortgage Note, if any, (2) upon optional or mandatory prepayment of the Bond Mortgage Loan, the principal amount of the Bond Mortgage Note being prepaid and (3) on the maturity date or upon acceleration of the Bond Mortgage Note, the unpaid principal balance of the Bond Mortgage Note. The Initial Permanent Phase Credit Facility Provider has no obligation under any circumstance to provide for any prepayment premium or other prepayment charge payable by the Borrower with respect to the Bond Mortgage Loan.

In addition, on any date to the extent that Bonds are required to be purchased pursuant to the Indenture and are not remarketed, the Initial Permanent Phase Credit Facility Provider is required to pay, provided certain notice provisions are met, the Purchase Price of such tendered Bonds in accordance with the terms of the Initial Permanent Phase Credit Facility. If any Bonds are so purchased with moneys drawn under the Initial Permanent Phase Credit Facility to pay the Purchase Price of any tendered Bonds, such Bonds will be registered in the name of the Borrower subject to the Initial Permanent Phase Credit Facility Provider's security interest in such Bonds as evidenced by a Pledge, Security and Custody Agreement between the Borrower and the Trustee acting as custodian thereunder.

In no event is the Initial Permanent Phase Credit Facility Provider required to pay such Guaranteed Payment or the Purchase Price of Bonds with respect to Bonds registered in the name of the Borrower.

The Initial Permanent Phase Credit Facility terminates on the first to occur of (a) the date the Bonds are paid in full, (b) the date the Bonds have been purchased in accordance with the terms of the Initial Permanent Phase Credit Facility, (c) December 6, 2041, (d) the date on which the Trustee, after having received sufficient funds to redeem all of the Bonds Outstanding in accordance with the terms of the Indenture, releases the Indenture and has paid to the Initial Permanent Phase Credit Facility Provider all amounts required to be paid under the Indenture, the Financing Agreement, the Reimbursement Agreement, the Initial Permanent Phase Credit Facility and any other Bond Financing Documents, and (e) the day immediately following the effective date of any Alternate Credit Facility.

The Initial Permanent Phase Credit Facility Provider's obligations with respect to the Bonds will be solely as provided in the Initial Permanent Phase Credit Facility. THE OBLIGATIONS OF THE INITIAL PERMANENT PHASE CREDIT FACILITY PROVIDER UNDER THE INITIAL PERMANENT PHASE CREDIT FACILITY WILL BE OBLIGATIONS SOLELY OF THE INITIAL PERMANENT PHASE CREDIT FACILITY PROVIDER. THE INITIAL PERMANENT PHASE CREDIT FACILITY PROVIDER HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE BONDS, BUT WILL BE OBLIGATED PURSUANT TO THE INITIAL PERMANENT PHASE CREDIT FACILITY TO PROVIDE FUNDS TO THE TRUSTEE TO PAY THE PURCHASE PRICE OF THE BONDS UNDER CIRCUMSTANCES DESCRIBED HEREIN. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, OR ANY OTHER AGENCY THEREOF, OR OF THE INITIAL PERMANENT PHASE CREDIT FACILITY PROVIDER, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY THE INITIAL PERMANENT PHASE CREDIT FACILITY PROVIDER. THE INITIAL PERMANENT PHASE CREDIT FACILITY PROVIDER WILL HAVE NO OBLIGATIONS WITH RESPECT TO THE BONDS UNTIL THE CONVERSION DATE. THERE CAN BE NO ASSURANCE THAT CONVERSION WILL OCCUR.

The Initial Permanent Phase Reimbursement Agreement

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

The Initial Permanent Phase Credit Facility will be issued pursuant to the Initial Permanent Phase Reimbursement Agreement. Pursuant to the Initial Permanent Phase Reimbursement Agreement, the Borrower will be obligated to repay the Initial Permanent Phase Credit Facility Provider all sums of money the Initial Permanent Phase Credit Facility Provider has advanced to the Trustee under the Initial Permanent Phase Credit Facility. The Initial Permanent Phase Reimbursement Agreement also provides that the Borrower will pay the Initial Permanent Phase Credit Facility Provider Credit Enhancement Fee, the Servicing Fee, and other fees and expenses as provided therein.

Under the provisions of the Initial Permanent Phase Reimbursement Agreement, the Initial Permanent Phase Credit Facility Provider may declare an Event of Default if any one of the following occurs:

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

(b) the Borrower fails to perform its obligations under the Initial Permanent Phase Reimbursement Agreement to observe certain covenants in the Initial Permanent Phase Reimbursement Agreement or to deliver a Subsequent Hedge Agreement (as defined in the Initial Permanent Phase Reimbursement Agreement) when required;

(c) the Borrower fails to observe or perform any other term, covenant, condition or agreement set forth in the Initial Permanent Phase Reimbursement Agreement or any of the other Borrower Documents or there otherwise occurs an "Event of Default" under the Reimbursement Mortgage or an event of default by the Borrower under any of the other Borrower Documents (taking into account any applicable cure period as set forth in such documents as qualified by the Initial Permanent Phase Reimbursement Agreement);

(d) any representation or warranty made by or on behalf of the Borrower in the Initial Permanent Phase Reimbursement Agreement, in any other Borrower Document or in any certificate delivered by the Borrower to the Initial Permanent Phase Credit Facility Provider or to the Servicer pursuant to the Initial Permanent Phase Reimbursement Agreement or any other Borrower Document is inaccurate or incorrect in any material respect when made or deemed made;

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

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

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

The Initial Permanent Phase Credit Facility Provider has the right, to be exercised in its discretion, to waive any Event of Default under the Initial Permanent Phase Reimbursement Agreement. Unless such waiver expressly provides to the contrary, any waiver so granted will extend only to the specific event or occurrence identified in such waiver and will not apply to any other similar event or occurrence which may occur subsequent to the date of the waiver.

The obligations of the Borrower under the Initial Permanent Phase Reimbursement Agreement will be secured by the Reimbursement Mortgage. Bondholders will have no rights under the Reimbursement Mortgage.

THE DEVELOPMENT AND THE PRIVATE PARTICIPANTS

The following has been provided solely by representatives of the Borrower and the other private participants and has not been independently confirmed or verified by the Issuer, the Initial Construction Phase Credit Facility Provider, the Initial Permanent Phase Credit Facility Provider, the Servicer or the Underwriters. No representation is made herein as to the accuracy or adequacy of such information or as to the absence or material adverse changes in such information subsequent to the date hereof.

The Development

The Development is a proposed 252-unit multifamily rental community to be located on Palmer Highway in Texas City, Texas. When completed, the Development is expected to consist of 15 residential buildings on an approximately 15.7 acre site. The total rental building is expected to be approximately 257,536 square feet.

Each unit is expected to include an oven, range, microwave, refrigerator, garbage disposal, ceiling fans, floor coverings and central air conditioning. The unit mix of the Development is anticipated to be as follows:

Number of Units	Number of Bedrooms	Number of Bathrooms	Square Footage
12	1	1	722
48	2	2	930
84	2	2	936
96	3	2	1,112
11	4	2	1,561
1	4	2	1,685

The Development is expected to have a community center containing a work out facility, computer room and laundry facilities, swimming pool, playground and picnic area. The Development is also expected to include 561 parking spaces.

Construction of the Development is expected to begin in June 2009 and be completed in October 2010.

The Plan of Financing

The total permanent cost of the Development is estimated by the Borrower to be approximately $27,697,083.15 not including interim sources or uses of funds. The sources and uses of funds for the Development are projected by the Borrower to be approximately as follows:

Sources	
Bond Proceeds	$13,690,000.00
Tax Credit Equity	8,432,115.00
HOME Loan	3,000,000.00
Other Deferred Fees	646,000.00
Deferred Developer Fee	2,368,559.49
Other Sources (GIC Income)	632,426.66
Total	$28,769,101.15

Uses	
Land Acquisition & Title Costs	$2,676,000.00
Construction Costs & Fees	16,777,003.00
Developer Fee & Overhead	5,106,392.00
Deposit to Capitalized Moneys Account	658,215.00
Financing Costs	3,271,791.15
Marketing / Start Up Reserves	214,200.00
Tax Credit Related Costs	65,500.00
Total	$28,769,101.15

Low Income Housing Tax Credit Equity Syndication

Simultaneously with the issuance of the Bonds, the Borrower expects to admit Bank of America, N.A. (the "Investor Limited Partner") as a 99.98% limited partner in the Borrower. Pursuant to this admission, the Investor Limited Partner is expected to fund the tax credit equity in the approximate amounts as follows (the conditions described below are a summary of some of the more important conditions for each tax-credit equity contribution and are not the only conditions which must be met for each contribution): (a) $2,403,153 will be paid on the Closing Date; (b) $4,258,218 will be paid upon the latest of the following: completion of 75% of the construction of the Development or May 1, 2010; (c) $1,264,817 will be paid within five days after satisfaction of all of the conditions set forth in the Partnership Agreement, including, but not limited to, completion of construction of the Development, but not earlier than September 1, 2010; (d) $421,606 will be paid within five days after satisfaction of all of the conditions set forth in the Partnership Agreement, including, but not limited to, Conversion, but not earlier than November 1, 2011; and (e) $84,321 will be paid within five days after satisfaction of all of the conditions set forth in the Partnership including receipt of Form 8609, but not earlier than November 1, 2011. These funding levels and the timing of the funding are subject to numerous adjustments and conditions contained in the Partnership Agreement which could result in the amounts funded and/or the timing or even occurrence of the funding varying significantly from the projections set forth above and neither the Issuer nor the Underwriters makes any representation as to the availability of such funds.

The Borrower

The Borrower is a Texas limited partnership organized in 2009 for the purpose of developing, owning and operating the Development. The general partner of the Borrower is NRC Costa Mariposa, LLC, a Texas limited liability company (the "General Partner"). The principal office of the General Partner is located at 2612 Throckmorton, Dallas, Texas 75219. The General Partner has general responsibility and sole authority for supervising the operations of the Borrower, and is responsible for the development of the Development.

The Borrower is a single-asset entity and is prohibited from acquiring any substantial assets or engaging in any substantial business activities other than those related to the ownership of the Development. However, affiliates of the Borrower and the General Partner may engage in the

acquisition, development, ownership and arrangement of similar types of housing projects, including housing projects in the immediate vicinity of the Development that may compete with the Development.

The officers of the Borrower and their affiliates have been in the business of acquiring, owning and operating apartment complexes for over 6 years, and currently own and operate approximately 1,670 units of multifamily housing in Texas and seven other states and currently have 7 multifamily housing projects under construction.

No representation is made that the Borrower will have substantial funds available for the Development. Accordingly, neither the Borrower's financial statements nor those of its partners and managers are included in this Official Statement.

The Contractor

NPR Contractors, LLC will be the contractor for the Development. The Contractor was formed in 1995 and has experience in the construction and renovation of single family and multifamily housing properties. The Contractor currently has a staff of 95 employees.

The three owners of the Contractor are limited partners of the Borrower.

Subordinate Loan

The Borrower has received a commitment for HOME funds from the Texas Department of Housing and Community Affairs in the amount of $3,000,000 (the "HOME Loan"); the Borrower expects the HOME Loan to close after the Bond closing. The HOME Loan will have a 38 year term and will bear interest at the Applicable Federal Rate. The HOME Loan will be subordinate to the Bond Mortgage Loan and will be payable out of excess cash flow, after all payments due under the Bond Mortgage and the Reimbursement Mortgage have been made.

Restrictive Covenants

The Regulatory Agreement imposes certain requirements on the Borrower with respect to the tax-exempt status of the Bonds under the Code, which include, among other requirements, a set-aside during the Qualified Project Period of at least 40% of the units for rental to persons or families having incomes at or below 60% of area median gross income, adjusted for family size and determined in accordance with Section 142(d) of the Code. The Qualified Project Period for the Regulatory Agreement is the period beginning on the first day on which at least 10% of the residential units in the Development are first occupied and ending on the later of (a) the date which is 15 years after the date on which at least 50% of the residential units in the Development are first occupied, or (b) the first day on which no tax exempt private activity bond issued with respect to the Development is outstanding, or (c) the date on which any assistance provided with respect to the Development under Section 8 of the United States Housing Act of 1937 terminates. See Appendix B: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—The Regulatory Agreement."

In connection with the low-income housing tax credits (the "LIHTCs") anticipated to be granted for the Development, the Borrower will execute a tax credit agreement in compliance with the requirements of Section 42 of the Code (the "Extended Use Agreement"). The Extended Use Agreement will require LIHTC income targeting and rent restrictions for the Development under Section 42 of the Code for not less than a 30-year period, subject to certain exceptions. The Extended Use Agreement must be executed by the Borrower and the Issuer before the end of the first year of the credit period (as defined in Section 42 of the Code) and recorded in the land records as a covenant running with the land. The Extended Use Agreement will, among other things, require that up to 100% of the completed and occupied dwelling units in the Development be occupied by persons or families having incomes at or

below 60% of area median gross income, adjusted for family size and determined in accordance with Section 142(d) of the Code and that such units be rent-restricted under Section 42(g)(2) of the Code throughout the extended use period (as defined in the Code).

Under the Code, the extended use period terminates prior to its expiration date if the Development is acquired by foreclosure. Notwithstanding the foregoing, the Code requires that any termination of the extended use period due to foreclosure will not permit, before the close of a three-year period following such foreclosure, (a) the eviction or termination of tenancy of an existing tenant without cause or (b) any increase in the gross rent of any such units.

Limited Recourse to Borrower

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

The Servicer

The following has been provided by the Servicer and none of the Borrower, the Issuer, the Underwriters, the Initial Construction Phase Credit Facility Provider or the Initial Permanent Phase Credit Facility Provider, subject to the standard of review found on the inside cover hereof, will assume any responsibility for the accuracy and completeness of such information.

Beginning on the Conversion Date, the Servicer will perform mortgage servicing functions with respect to the Bond Mortgage Loan on behalf of and in accordance with the Initial Permanent Phase Credit Facility Provider requirements. The servicing arrangements between the Initial Permanent Phase Credit Facility Provider and the Servicer for the servicing of the Bond Mortgage Loan are solely between the Initial Permanent Phase Credit Facility Provider and the Servicer and neither the Issuer nor the Trustee is deemed to be party thereto or has any claim, right, obligation, duty or liability with respect to the servicing of the Bond Mortgage Loan.

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

The selection (or replacement) of the Servicer is in the sole and absolute discretion of the Initial Permanent Phase Credit Facility Provider. The servicing arrangements between the Servicer and the Initial Permanent Phase Credit Facility Provider are subject to amendment or termination from time to time without the consent of the Issuer, the Trustee or the Borrower, and none of the Trustee, the Issuer or the Borrower have any rights under, and none is a third party beneficiary of, the servicing arrangements between the Servicer and the Initial Permanent Phase Credit Facility Provider.

The Servicer is an approved Freddie Mac Program Plus Lender.

The Servicer makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility of performance of the Development or compliance with any securities, tax or other laws or regulations. The Servicer's role will be limited to servicing the Bond Mortgage Loan.

CERTAIN BONDHOLDERS' RISKS

The purchase of the Bonds will involve a number of risks. In addition to factors set forth elsewhere in this Official Statement, purchasers of Bonds should carefully consider the following risk factors in connection with investment in the Bonds. The following list of factors, while not setting forth all of the factors to be considered, contains some of the factors which should be considered prior to purchase the Bonds. This discussion of risk factors is not and is not intended to be, comprehensive or exhaustive.

Failure of Conversion; Pre-Conversion Loan Equalization

No assurance can be given that Conversion will occur and the Initial Permanent Phase Credit Facility will be delivered. Even if Conversion occurs, no assurance can be given that the principal amount of the Bond Mortgage Loan after Conversion, as finally determined in accordance with the Construction Phase Financing Agreement, will not be less than the original principal amount of the Bond Mortgage Loan. If the principal amount of the Bond Mortgage Loan, as finally determined in accordance with the Construction Phase Financing Agreement is less than the original principal amount of the Bond Mortgage Loan, the principal amount of the Bond Mortgage Loan must, as a Condition to Conversion, be reduced by the Borrower's payment of a Pre-Conversion Loan Equalization Payment. Upon such prepayment, a corresponding portion of the principal of Bonds will be subject to mandatory redemption. Any such mandatory redemption will be at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the redemption date. If such prepayment in part is required as a Condition to Conversion and is not made, Conversion will not occur, and the Initial Permanent Phase Credit Facility Provider will not have any obligation to deliver the Initial Permanent Phase Credit Facility to the Trustee and will not otherwise have any obligation with respect to the Bonds or the Bond Mortgage Loan. See also "THE BONDS—Conversion."

Credit Facility; Primary Security

While the Bonds bear interest at the Variable Rate, owners of the Bonds may tender their Bonds for purchase at any time upon seven days' notice. See "THE BONDS—Demand for and Mandatory Purchase of Bonds." It is therefore expected that during any Variable Period, the primary security for the Bonds will be the Initial Construction Phase Credit Facility or the Initial Permanent Phase Credit Facility in order to pay the principal of, interest on and purchase price for the Bonds. See "CERTAIN BONDHOLDERS' RISK—Enforceability and Bankruptcy" below, "CONSTRUCTION PHASE CREDIT FACILITY PROVIDER" and "THE INITIAL PERMANENT PHASE CREDIT FACILITY PROVIDER." Based on this expectation, no financial information as to the creditworthiness of the Borrower or the value of the Development is included herein.

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

No Borrower Personal Liability

The Borrower has not been nor will it be (subject to certain exceptions to nonrecourse liability for the benefit of the Credit Facility Provider set forth in the Reimbursement Agreement and the Reimbursement Mortgage) personally liable for payments on the Bond Mortgage Loan, nor will the Borrower be (subject to certain exceptions to nonrecourse liability to be set forth in the Bond Mortgage and subject to certain exceptions to nonrecourse liability set forth in the Financing Agreement with respect to the Issuer and the payment of the rebate amount) personally liable under the other documents executed in connection with the issuance of the Bonds and the making of the Bond Mortgage Loan. All payments on the Bond Mortgage Loan are expected to be derived from revenues generated by the Development.

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

The Bonds are not subject to acceleration, tender or redemption, and the rate of interest on the Bonds is not subject to adjustment, by reason of the interest on the Bonds being included in gross income for purposes of federal income taxation. Such event could occur if the Borrower (or any subsequent owners of the Development) or the Issuer, as applicable, does not comply with the provisions of the Financing Agreement and the Regulatory Agreement which are designed, if complied with, to satisfy the continuing compliance requirements of the Code, in order for the interest on the Bonds to be excludable from gross income for purposes of federal income tax. If, however, the Borrower or the Issuer fails to comply with such provisions, interest on the Bonds may be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Early Redemption

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

Economic Feasibility

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

Competing Facilities

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

Enforceability and Bankruptcy

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

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

Normal Risks

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

Environmental Matters

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

Management of the Development

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

Effect of Increases in Operating Expenses

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

Equity Funding

The availability of equity proceeds to the Borrower from its members is governed by the Borrower's Partnership Agreement and related documents of the Borrower, which contain certain conditions precedent to funding and potential adjustments to equity proceeds. The failure to satisfy the conditions precedent to funding and to obtain amounts under the Partnership Agreement may result in a

default under the various documents executed in connection with the financing of the Development and the exercise of remedies thereunder. There is no guaranty that these conditions will be met.

CONTINUING DISCLOSURE

At the time of issuance of the Bonds, the issue is exempt pursuant to Section (d)(1)(iii) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240 Section 15c2-12) (the "Rule") from the requirements of the Rule. The Borrower will provide such information as may be necessary to comply with the Rule, if it becomes applicable in the future.

TAX MATTERS

In the opinion of Bond Counsel, assuming compliance with certain covenants and based upon certain representations, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, except with respect to interest on any Bond during any period while it is held by a "substantial user" of the Development or a "related person" within the meaning of Section 147(a) of the Code and (ii) interest on the Bonds is not subject to the alternative minimum tax imposed on individuals and corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include, among other things, limitations on the use of the bond-financed Development, limitations on the use of bond proceeds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States, and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The Issuer and the Borrower have covenanted in the Indenture, Loan Agreement and Regulatory Agreement that they will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Indenture, Loan Agreement and Regulatory Agreement pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the Issuer, the Borrower and the Underwriter with respect to matters solely within the knowledge of the Issuer, the Borrower and the Underwriter, respectively, which Bond Counsel has not independently verified. If the Issuer or the Borrower should fail to comply with the covenants in the Indenture, Loan Agreement and Regulatory Agreement or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income for federal income from the date of original delivery of the Bonds, regardless of the date on which the event causing such includability occurs.

In the case of bonds used to provide residential rental housing, such as the Bonds, Section 142 of the Code requires that such bonds also satisfy the tenant eligibility requirements applicable to "qualified residential rental projects" under Section 142(d) of the Code. Section 142(d) of the Code requires that at all times during the Qualified Project Period a certain percentage of the units in the Development are to be occupied by individuals with income below certain levels pursuant to Section 142(d)(i) of the Code. The "Qualified Project Period" for the Development will commence on the first day on which 10 percent of the units in the Development are occupied and will end on the latest of the following: (1) the date that is 15 years after the date on which at least 50 percent of the units in the Development are first occupied; (2) the date on which no tax-exempt private activity bond (as defined in Section 141 of the Code) with respect to the Development remains outstanding; or (3) the date on which any assistance provided with respect to the Development under Section 8 of the United States Housing Act of 1937, as amended, terminates. The United States Department of Treasury issued regulations (the "Regulations") setting forth requirements for compliance with a comparable provision of the predecessor of Section 142 of the Code. The Regulations require, among other things, that (1) the low-income set aside requirement of this

predecessor provision must be met on a continuous basis during the Qualified Project Period, and (2) all of the units in the Development must be rented or available for rental to the general public on a continuous basis during the Qualified Project Period. Under the Regulations, the failure to satisfy the foregoing requirements on a continuous basis or the failure to satisfy any of the other requirements of the Regulations will, unless corrected within a reasonable period of not more than 60 days after such non-compliance is first discovered or would have been discovered by the exercise of reasonable diligence, cause interest on the Bonds to be includable in gross income for federal income tax purposes as of the date of their original issue, irrespective of the date such non-compliance actually occurred.

The Issuer has established requirements, procedures and safeguards that it believes to be sufficient to ensure compliance with the requirements of the Code and the Regulations with respect to the Development. Such requirements, procedures and safeguards are incorporated into the Regulatory Agreement, the Loan Agreement and the Indenture. In addition, the Issuer and the Trustee have each covenanted in the Indenture to follow and enforce such procedures to ensure compliance with such requirements. However, no assurance can be given that in the event of a breach of any of the provisions or covenants described above, the remedies available to the Issuer and the Trustee can be judicially enforced in such manner as to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income for federal income tax purposes of the interest on the Bonds. Furthermore, if the Borrower fails to comply with the Regulatory Agreement or the Loan Agreement, the enforcement remedies available to the Issuer, the Trustee and the holders of the Bonds are severely limited and may be inadequate to prevent the loss of the excludability from gross income for federal income tax purposes of the interest on the Bonds retroactive to the date of issuance of the Bonds. In such event, there is no provision for acceleration or redemption of the Bonds, and the holders of the Bonds may be required to hold the Bonds until maturity bearing interest that is includable in gross income for federal income tax purposes.

Interest on the Bonds is not treated as an "item of tax preference" to be included in the computation of "alternative minimum taxable income" for an individual or a corporation. Furthermore, interest on the Bonds is not treated as includable in the "adjusted current earnings" of a corporation for purposes of computing its alternative minimum tax liability.

Certain actions may be taken or omitted subject to the terms and conditions set forth in the Indenture and related documents, upon the advice or with an approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to its ability to render an opinion that such actions, if taken or omitted, will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profit tax" on their effectively-connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on Bonds, received or accrued during the year.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

UNDERWRITING

The Underwriters have agreed to purchase the Bonds from the Issuer at a price equal to 100% of the principal amount thereof and the Underwriters will be paid a fee of $132,675 for underwriting the Bonds, inclusive of expenses pursuant to the terms of a Bond Purchase Agreement (the "Bond Purchase Agreement") among the Issuer, the Borrower and the Underwriters. The Bond Purchase Agreement provides that the obligation of the Underwriters to purchase the Bonds is subject to certain terms and conditions and the approval of certain legal matters by counsel.

The initial public offering prices may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and certain dealer banks and banks acting as agents at prices lower than the public offering price stated on the inside cover of this Official Statement.

RATINGS

Moody's Investor Services, Inc. (the "Rating Agency") has assigned ratings of "Aa3/VMIG-1" to the Bonds based upon the Initial Construction Phase Credit Facility. Any desired explanation of the significance of the ratings should be obtained from the Rating Agency. Certain information and materials not included in this Official Statement were furnished to the Rating Agency. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies, and assumptions by the Rating Agency. The ratings are not a recommendation to buy, sell, or hold the Bonds. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing the rating, circumstances so warrant. Neither the Underwriters nor the Issuer has undertaken responsibility either to bring to the attention of the registered owner of the Bonds any proposed revision or withdrawal of the ratings of the Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such a rating could have an adverse affect on the market price of the Bonds if a registered owner attempts to sell the same.

CERTAIN LEGAL MATTERS

The Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of certain legal matters by Vinson & Elkins L.L.P., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Borrower by Broad and Cassel., Orlando, Florida and for the Initial

Construction Phase Credit Facility Provider by Stearns, Weaver, Miller, Weissler, Alhadeff & Sitterson, PA,, Miami, Florida. Certain legal matters will be passed upon by Katten Muchin Rosenman LLP, Washington, D.C., counsel to the Underwriters.

The payment of the legal fees of Katten Muchin Rosenman LLP is contingent upon issuance of the Bonds.

ABSENCE OF LITIGATION

The Issuer

There is no pending or, to the knowledge of the Issuer, any threatened litigation against the Issuer that in any way questions or affects the validity of the Bonds or any proceedings or transactions relating to their reissuance or remarketing.

The Borrower

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

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MISCELLANEOUS

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

COSTA MARIPOSA, LTD., a Texas limited partnership

By: NRC Costa Mariposa, LLC a Texas limited liability company, its general partner

By: UPCDC Texas, Inc., a Nevada non-profit corporation, its sole member

By: /s/ Monique Allen_____
President

APPENDIX A

DEFINITIONS OF CERTAIN TERMS

The following terms, as used in this Official Statement, have the respective meanings provided below (unless otherwise defined in this Official Statement).

"Act" means Chapter 2306, Texas Government Code, as amended from time to time, and other applicable provisions of law.

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

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

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

"Annual Income" means the anticipated annual income of a person (together with the anticipated annual income of all persons that intend to reside with such person in one Unit) calculated pursuant to Section 8 of the Housing Act as required by Section 142(d) of the Code.

"Applicable Federal Rate" means the interest rate set by the U.S. Treasury for determining imputed interest.

"Authorized Denomination" means with respect to Bonds in a Variable Period, $100,000 principal amount or any integral multiple of $5,000 greater than $100,000.

"Authorized Issuer Representative" means an Authorized Officer of the Issuer.

"Authorized Officer" means:

(a) when used with respect to the Borrower, any officer of its general partner or the Class B Limited Partner or any person or persons who at the time and from time to time may be designated as such, by written certificate furnished by the Borrower to the Issuer, the Credit Facility Provider (and prior to Conversion, the Initial Permanent Phase Credit Facility Provider) and the Trustee containing the specimen signature of such person and signed by the Borrower, which certificate may designate an alternate or alternates;

(b) when used with respect to the Trustee, any authorized signatory of the Trustee, or any person who is authorized in writing to take the action in question on behalf of the Trustee;

(c) when used with respect to the Servicer, any authorized signatory of the Servicer, or any person who is authorized in writing to take the action in question on behalf of the Servicer;

(d) when used with respect to the Remarketing Agent, any authorized signatory of the Remarketing Agent and such additional person or persons, if any, duly designated by the Remarketing Agent in writing to act on its behalf;

(e) when used with respect to the Tender Agent, any authorized signatory of the Tender Agent and such additional person or persons, if any, duly designated by the Tender Agent in writing to act on its behalf;

(f) when used with respect to the Credit Facility Provider means any Person who is authorized in writing from time to time to take the action in question on behalf of the Credit Facility Provider, including prior to the Conversion Date, when used with respect to the Initial Permanent Phase Credit Facility Provider, any Person who is authorized in writing to take the action in question by the Initial Permanent Phase Credit Facility Provider; and

(g) when used with respect to the Issuer, the Chairman, Vice Chair or Secretary of the governing board of the Issuer, the Executive Director of the Issuer, the Deputy Executive Director of Programs of the Issuer, the Deputy Executive Director of Housing Operations of the Issuer, the Chief of Agency Administration of the Issuer, the Director of Financial Administration of the Issuer, the Director of Bond Finance of the Issuer and the Director of Multifamily Finance Production of the Issuer or such other person at any time designated by the Issuer to act on behalf of the Issuer, as evidenced by a written certificate delivered to the Borrower and the Trustee containing the specimen signature of such person and signed by one of the above titled officers. Such certificate may designate an alternate or alternates, each of whom will be entitled to perform all duties and exercise all powers of an Authorized Officer. The Trustee may conclusively presume that a person designated in a written certificate filed with it as an Authorized Officer is an Authorized Officer until such time as the Issuer files with it (with a copy to the Borrower) a written certificate revoking such person's authority to act in such capacity.

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

"Bond" or "Bonds" means the Issuer's Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Mariposa Apartments) Series 2009 in the original aggregate principal amount of $13,690,000.

"Bond Counsel" means Vinson & Elkins L.L.P., or any firm of attorneys selected by the Issuer experienced in matters relating to the issuance of obligations by states and their political subdivisions who are listed as municipal bond attorneys in The Bond Buyer's Municipal Marketplace and is reasonably acceptable to the Credit Facility Provider.

"Bond Fee Component" means the regular, ongoing fees of the Issuer, the Trustee, the Remarketing Agent, the Tender Agent, if any, the Custodian, the Counterparty (as defined in the Initial Permanent Phase Reimbursement Agreement), the Rebate Analyst, if any, expressed as a flat, fixed amount or in terms of a percentage of the principal amount of Outstanding Bonds (including Purchased Bonds) on an annual basis.

"Bond Financing Documents" means, collectively, the Indenture, the Bonds, the Financing Agreement, the Remarketing Agreement, the Tax Certificate and the Bond Mortgage Loan Documents and any other documents, instruments and agreements executed and delivered in connection with the issuance, sale, delivery and/or remarketing of the Bonds, as each such agreement or instrument may be amended, supplemented or restated from time to time.

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

"Bondholder" or "Holder" or "owner of the Bond[s]" or "registered owner" means any person who is the owner of any Bond or Bonds as shown on the Bond Register.

"Bond Mortgage" means the First Multifamily Deed of Trust, Assignment of Rents and Security Agreement and Fixture Filing dated as of May 1, 2009, together with all riders and addenda thereto, granting a first priority mortgage and security interest in the Development from the Borrower to the Issuer (and assigned to the Trustee), securing payment of the Bond Mortgage Loan, as may from time to time be amended, modified or supplemented, and as such Bond Mortgage has been assigned by the Issuer to the Trustee.

"Bond Mortgage Loan" means the loan made by the Issuer to the Borrower pursuant to Bond Mortgage Loan Documents.

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

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

"Bond Mortgage Note" means the Bond Mortgage Note dated May 1, 2009 from the Borrower to the Issuer (and assigned to the Trustee) in the original principal amount of $13,690,000, together with all riders and addenda thereto, evidencing the Borrower's obligation to repay the Bond Mortgage Loan, as such Bond Mortgage Note may from time to time be amended, modified or supplemented, which Bond Mortgage Note has been assigned by the Issuer to the Trustee as security for the Bonds.

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

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

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

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

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

"Bond Year" means each one-year period that ends on the day selected by the Issuer. The first and last bond years may be short periods. If no day is selected by the Issuer before the earlier of the final Maturity Date of the Bonds or the date that is 5 years after the Delivery Date, a bond year will end on each anniversary of the Delivery Date and on the final Maturity Date.

"Borrower" means Costa Mariposa, Ltd., a Texas limited partnership, or any of its permitted successors and assigns.

"Borrower's Tax Certificate" means the Borrower's Tax Certificate executed by the Borrower and delivered on the Delivery Date.

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

"Class B Limited Partner" means NRP Costa Mariposa, LLC, a Texas Limited Liability Company.

"Closing Date" or "Bond Closing Date" means the date of initial delivery of the Bonds.

"Code" means the Internal Revenue Code of 1986, as amended; each reference to the Code will be deemed to include (a) any successor internal revenue law and (b) the applicable regulations whether final, temporary or proposed under the Code or such successor law; any reference to a particular provision of the Code will be deemed to include (i) any successor provision of any successor internal revenue law and (ii) the applicable regulations, whether final, temporary or proposed, under such successor provision.

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

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

"Construction Phase Credit Assignment" means the Construction Phase Credit Assignment, dated as of the Conversion Date, from the Initial Construction Phase Credit Facility Provider to the Initial Permanent Phase Credit Facility Provider, and acknowledged and agreed to by the Borrower and the Trustee, as it may be amended, supplemented or restated from time to time. The Construction Phase Credit Assignment will be in substantially the form of Exhibit I to the Construction Phase Financing Agreement.

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

"Construction Phase Credit Facility" means the Initial Construction Phase Credit Facility or any Alternate Credit Facility in effect prior to the Conversion Date.

"Construction Phase Credit Facility Fee" means the quarterly fee owed to the Initial Construction Phase Credit Facility Provider pursuant to the Initial Construction Phase Reimbursement Agreement.

"Construction Phase Credit Facility Provider" means (a) the Initial Construction Phase Credit Facility Provider and its successors and assigns, or (b) so long as an Alternate Credit Facility is in effect prior to the Conversion Date, the Alternate Credit Facility Provider then obligated under such Alternate Credit Facility.

"Construction Phase Financing Agreement" means the Construction Phase Financing Agreement, dated as of May 1, 2009, by and among the Initial Permanent Phase Credit Facility Provider, the Servicer, the Borrower and the Initial Construction Phase Credit Facility Provider, as such agreement may be amended, modified, supplemented or restated from time to time.

"Construction Phase Reimbursement Agreement" means (a) the Initial Construction Phase Reimbursement Agreement, or (b) upon the effectiveness of any Alternate Credit Facility prior to the Conversion Date, any similar agreement between the Borrower and the Alternate Credit Facility Provider pursuant to which the Borrower agrees to reimburse the Alternate Credit Facility Provider for payments made under the Alternate Credit Facility, as such agreement may be amended or supplemented.

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

"Conversion Date" means the date of the Conversion of the Bond Mortgage Loan specified as such in the Conversion Notice, which date must be a Business Day at least 7 days following the date on which the Conversion Notice is issued by the Servicer or such other date as is approved by the Initial Permanent Phase Credit Facility Provider, and, while Bonds bear interest at a Variable Rate, such date must be the beginning date of a Variable Interest Accrual Period.

"Conversion Notice" means a written notice by the Servicer to the Issuer, the Trustee, the Borrower, the Construction Phase Credit Facility Provider and the Initial Permanent Phase Credit Facility Provider given prior to the Forward Commitment Maturity Date and in accordance with the terms of the Forward Commitment (a) stating that each of the Conditions to Conversion has been satisfied prior to the Forward Commitment Maturity Date or, if any Condition to Conversion has not been satisfied prior to the Forward Commitment Maturity Date, has been waived in writing by the Initial Permanent Phase Credit Facility Provider, and (b) specifying the Conversion Date.

"Cost," "Costs" or "Costs of the Development" means, to the extent authorized by the Act and the Code, any and all costs incurred by the Borrower with respect to the acquisition, construction and equipping, as the case may be, of the Development, including, without limitation, costs for site preparation, the planning of housing and improvements, the removal or demolition of existing structures, and all other work in connection therewith, and all costs of financing, including, without limitation, the cost of consultant, accounting and legal services, other expenses necessary or incident to determining the

feasibility of the Development, contractors and Borrower's overhead and supervisor's fees and costs directly allocable to the Development, and administrative and other expenses necessary or incident to the Development and the financing of the Development.

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

"Costs of Issuance" means costs to the extent incurred in connection with, and allocable to, the issuance of the Bonds within the meaning of Section 147(g) of the Code including, without limitation, printing costs, costs of reproducing documents, counsel fees (including Bond Counsel, Trustee's counsel, Issuer's counsel, Borrower's counsel, Underwriter's counsel, the Initial Permanent Phase Credit Facility Provider's counsel, Initial Construction Phase Credit Facility Provider's counsel and Servicer's counsel, as well as any other specialized counsel fees incurred in connection with the issuance of the Bonds), initial Trustee fees and expenses with respect to the Bonds, any fee to the Issuer or expenses incurred by the Issuer that pays or reimburses the Issuer for direct and indirect costs of the Issuer related to the issuance of the Bonds, the expenses of the initial purchaser in acquiring the Bonds and legal fees and charges, financial advisory fees, placement agent's fees and accountant fees related to issuance of the Bonds, initial fees and expenses of the Initial Permanent Phase Credit Facility Provider and the Servicer, costs of credit ratings, bond registrar and paying agent fees, title insurance fees, survey fees and recording and filing fees, including any applicable documentary stamp taxes, intangible tax and the mortgage registration tax, fees and charges for execution, transportation and safekeeping of the Bonds, certification and authentication fees, public approval process costs, engineering and feasibility study costs, guarantee fees, other than for qualified guarantees (as defined in Section 1.148-4(f) of the Regulations) and charges and fees in connection with the foregoing.

"Costs of Issuance Deposit" means the deposit to be made by the Borrower with the Trustee on the Delivery Date, which deposit will equal the amount set forth in the Indenture from sources other than the proceeds of the Bonds, to pay Costs of Issuance.

"Counterparty" has the meaning given that term in the Initial Permanent Phase Reimbursement Agreement.

"Credit Enhancement Fee" will have the meaning given to the terms "Freddie Mac Credit Enhancement Fee" and "Freddie Mac Swap Credit Enhancement Fee" in the Initial Permanent Phase Reimbursement Agreement and the Swap Credit Enhancement Agreement.

"Credit Facility" means the Initial Construction Phase Credit Facility, the Initial Permanent Phase Credit Facility or any Alternate Credit Facility then in effect providing for the payment of the principal of and interest on, and Purchase Price, if applicable, of the Bonds.

"Credit Facility Provider" means, (a) so long as the Initial Construction Phase Credit Facility is in effect, the Initial Construction Phase Credit Facility Provider, (b) so long as the Initial Permanent Phase Credit Facility is in effect, the Initial Permanent Phase Credit Facility Provider, or (c) so long as any Alternate Credit Facility is in effect, the Alternate Credit Facility Provider then obligated under such Alternate Credit Facility.

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

Mortgage Loan, if required by the Initial Permanent Phase Credit Facility Provider, and (d) any other reserves that may be required by the Initial Permanent Phase Credit Facility Provider.

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

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

"Delivery Date" means May 28, 2009, the date of initial delivery of the Bonds to the initial purchasers thereof against payment therefor.

"Development" means the acquisition, construction and equipping of the multifamily residential rental housing project, known as Costa Mariposa Apartments owned by the Borrower and located in Galveston County, Texas to be financed in part with the proceeds of the Bond Mortgage Loan.

"Development Costs" means, to the extent authorized by the Act, any and all costs incurred by the Borrower with respect to the acquisition, construction, and equipping, as the case may be, of the Development, whether paid or incurred prior to or after the date of the Regulatory Agreement, including, without limitation, costs for site preparation, the planning of housing and improvements, the removal or demolition of existing structures, and all other work in connection therewith, and all costs of financing, including, without limitation, the cost of consultant, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Development, contractor's and Borrower's overhead and supervisor's fees and costs directly allocable to the Development, administrative and other expenses necessary or incident to the Development and the financing thereof.

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

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

"Eligible Tenants" means (i) individuals and families of low, very low and extremely low income, (ii) families of moderate income (in each case in the foregoing clauses (i) and (ii) as such terms are defined by the Issuer under the Act), and (iii) Persons with Special Needs, in each case, with an Annual Income not in excess of 140% of the area median income for a four person household in the applicable standard metropolitan statistical area; provided that all Low-Income Tenants will count as Eligible Tenants.

"Equity Account" means the Equity Account of the Bond Mortgage Loan Fund, established by the Trustee pursuant to the Indenture.

"Event of Default" or "event of default" means any of those events specified in and defined by the applicable provisions of the Indenture, the Financing Agreement, the Regulatory Agreement, or the Reimbursement Agreement, as applicable, to constitute an event of default thereunder.

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

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

"Extraordinary Trustee's Fees and Expenses" means all those fees, expenses and disbursements earned or incurred by the Trustee as described under the Indenture during any Bond Year for Extraordinary Services.

"Favorable Opinion of Bond Counsel" means, with respect to any action the taking of which requires such an opinion, an unqualified opinion of counsel, which will be from Bond Counsel, delivered to and in form and substance satisfactory to the Issuer to the effect that such action will not impair the exclusion of interest on the Bonds from gross income, for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion of Bond Counsel delivered upon original issuance of the Bonds or other customary exceptions acceptable to the recipient thereof).

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

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

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

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

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

"Forward Commitment" means the commitment letter between the Initial Permanent Phase Credit Facility Provider and the Servicer pursuant to which the Initial Permanent Phase Credit Facility Provider has agreed to provide credit enhancement of the Bond Mortgage Loan and liquidity support for the Bonds effective as of the Conversion Date upon satisfaction of the terms and conditions set forth therein as it may be amended, modified or supplemented from time to time.

"Forward Commitment Maturity Date" means December 1, 2011, subject to extension by the Initial Permanent Phase Credit Facility Provider as provided in the Forward Commitment and otherwise in its sole discretion.

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

"Guaranteed Payment" means the amount required to be paid to the Trustee pursuant to the Credit Facility then in effect, however, so long as the Initial Permanent Phase Credit Facility is in effect, "Guaranteed Payment" will have the meaning set forth in the Initial Permanent Phase Credit Facility.

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

"Hedge Agreement" means any interest rate cap agreement, interest swap agreement or similar instrument which satisfies the requirements of the Initial Permanent Phase Reimbursement Agreement.

"Hedge Fee Escrow" has the meaning given such term in the Initial Permanent Phase Reimbursement Agreement.

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

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

"Initial Construction Phase Credit Facility" means the Irrevocable Direct Draw Letter of Credit provided by the Initial Construction Phase Credit Facility Provider on or before the Delivery Date pursuant to the Construction Phase Financing Agreement.

"Initial Construction Phase Credit Facility Fee" means the quarterly fee owed to the Initial Construction Phase Credit Facility Provider pursuant to the Initial Construction Phase Credit Facility Reimbursement Agreement.

"Initial Construction Phase Credit Facility Provider" means Bank of America, N.A. in its capacity as the provider of the Initial Construction Phase Credit Facility and its successors and assigns.

"Initial Permanent Phase Credit Facility" means the Credit Enhancement Agreement dated as of the Conversion Date between the Initial Permanent Phase Credit Facility Provider and the Trustee, as the same may from time to time be amended or supplemented.

"Initial Permanent Phase Credit Facility Provider" means the Federal Home Loan Mortgage Corporation, a shareholder owned government sponsored enterprise organized and existing under the laws of the United States of America, and its successors and assigns.

"Initial Permanent Phase Credit Facility Provider Credit Enhancement Fee" has the meaning set forth in the Initial Permanent Phase Reimbursement Agreement.

"Initial Permanent Phase Pledge Agreement" means that certain Pledge, Security and Custody Agreement, dated as of the Conversion Date, by and between the Custodian as Collateral Agent for the Initial Permanent Phase Credit Facility Provider and the Borrower, as modified or amended from time to time.

"Initial Permanent Phase Reimbursement Agreement" means, the Reimbursement and Security Agreement, dated on or before the Conversion Date, between the Borrower and the Initial Permanent Phase Credit Facility Provider, as the same may be amended or supplemented from time to time.

"Intercreditor Agreement" means the Intercreditor Agreement dated as of May 1, 2009 among the Issuer, the Trustee, the Initial Construction Phase Credit Facility Provider and the Initial Permanent Phase Credit Facility Provider, as the same may be amended or supplemented.

"Interest Payment Date" means (i) for interest accrued during any Variable Period, the first Business Day of each month commencing July 1, 2009, (ii) each Reset Adjustment Date, Variable Rate Adjustment Date, Fixed Rate Adjustment Date, any Substitution Date and maturity date of the Bonds, and (iii) for Bonds subject to redemption, the date of redemption or purchase in lieu of redemption of such Bonds.

"Interest Requirement" means during the Variable Period, 35 days' interest computed at the Maximum Rate or such lesser number of days as is acceptable to the Rating Agency as confirmed in writing by the Rating Agency.

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

"Issuer" means the Texas Department of Housing and Community Affairs, a public and official agency of the State, and its successors and assigns.

"Issuer Administration Fee" means the fee payable annually in arrears to the Issuer on each May 1 in the amount of .10% per annum of the aggregate principal amount of Bonds Outstanding at the inception of each payment period; provided that, on the Delivery Date, the Borrower will pay the Issuer Administration Fee in advance to the Issuer for the period from the Delivery Date to May 1, 2011; and provided further that the Trustee will remit to the Issuer, payable from funds provided by the Borrower, all payments of the Issuer Administration Fee due on or after May 1, 2012.

"Issuer Compliance Fee" means the fee payable annually in advance to the Issuer on each May 1, commencing May 1, 2012, in the amount of $25 per unit in the Development per year (to be increased annually based on any corresponding increase in the Consumer Price Index); provided that, on the Delivery Date, the Borrower will pay the Issuer Compliance Fee to the Issuer for the period from May 1, 2011 to April 30, 2012; and provided further that the Trustee will remit to the Issuer, from funds provided by the Borrower, all payments of the Issuer Compliance Fee due on or after May 1, 2012. The Issuer Compliance Fee is for Bond compliance only, and an additional fee may be charged for tax credit compliance.

"Issuer's Fee" means the Issuer Administration Fee and the Issuer Compliance Fee.

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

"Liquidity Use Fee" has the meaning set forth in the Initial Permanent Phase Reimbursement Agreement.

"Liquidity Withdrawal" means a withdrawal from the Principal Reserve Fund to pay the Purchase Price of any Bonds tendered optionally by Bondholders pursuant to the Indenture.

"Low-Income Tenant" means a tenant whose Annual Income is 60% or less of Median Gross Income for the Area, as determined under Section 142(d)(2)(B) of the Code. If all the occupants of a Unit are students (as defined for the purposes of Section 151(c) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, such occupants will not qualify as Low-Income Tenants.

"Low-Income Unit" means a Unit that is included as a Unit satisfying the requirements of the Set Aside (as defined in the Regulatory Agreement).

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

"Maximum Rate" means 12% per annum; provided that without amendment to any Bond Financing Document pursuant to the Indenture the Maximum Rate may be increased to a specified higher Maximum Rate (with the consent of the Borrower) if there will have been delivered to the Trustee (a) an opinion of Bond Counsel to the effect that such higher Maximum Rate is permitted under Chapter 1204 of the Texas Government Code, as amended, or other applicable law and will not, in and of itself, cause the interest on the Bonds to be included in the gross incomes of the Bondholders for federal income tax purposes and (b) either (i) the written consent of the Credit Facility Provider to the specified higher Maximum Rate and evidence that the Credit Facility will cover the Interest Requirement at such higher Maximum Rate, or (ii) a new or amended Credit Facility in an amount equal to the sum of (A) the principal amount of the Outstanding Bonds and (B) the new Interest Requirement calculated using the new Maximum Rate; provided that the Maximum Rate will never exceed the maximum rate permitted by Chapter 1204 of the Texas Government Code, as amended, to be paid on the Bonds or to be charged on the Bond Mortgage Loan.

"Median Gross Income for the Area" means, with respect to the Development, the median income for the households in the area which includes the standard metropolitan statistical area in which the Development is located, as determined from time to time by the Secretary of HUD, under Section 8 of the Housing Act (or if such program is terminated, median income determined under the program in effect immediately before such termination), in each case as adjusted for family size.

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

"No-Arbitrage Certificate" means the No-Arbitrage Certificate of the Issuer, dated the date of issuance of the Bonds, relating to certain federal income tax matters with respect to the Bonds.

"Ordinary Servicing Fees and Expenses" means the ordinary fees payable to the Servicer in connection with the servicing of the Bond Mortgage Loan, payable monthly in arrears on the first day of each month, commencing on the date and in an amount provided in the Forward Commitment.

"Ordinary Trustee's Fees and Expenses" means the annual administration fee for the Trustee's ordinary fees and expenses in rendering its services under the Indenture as Trustee during each twelve month period, which fee is equal to (and will not exceed) $4,500 and will be payable annually in advance on the Delivery Date and each May 1 thereafter commencing May 1, 2010.

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

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

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

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

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

"Partnership Agreement" means the Amended and Restated Limited Partnership Agreement of the Borrower.

"Paying Agent" means the Trustee acting as such, and any other paying agent appointed pursuant to the Indenture.

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

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

"Persons with Special Needs" means persons who (i) are considered to be individuals having a disability under State or federal law, (ii) are elderly, meaning 60 years of age or more, (iii) are designated by the governing board of the Issuer as experiencing a unique need for decent, safe housing that is not being met adequately by private enterprise, or (iv) are legally responsible for caring for an individual described by clauses (i), (ii) or (iii) above and meet the income guidelines established by the governing board of the Issuer.

"Pledge Agreement" means (a) so long as the Initial Construction Phase Credit Facility is in effect, the Initial Construction Phase Pledge Agreement, (b) so long as the Initial Permanent Phase Credit Facility is in effect, the Initial Permanent Phase Pledge Agreement, or (c) so long as any Alternate Credit Facility is in effect, any similar agreement executed in connection with such Alternate Credit Facility, as originally executed or as amended or modified from time to time.

"Principal Component" will have the meaning set forth in the Initial Permanent Phase Credit Facility.

"Principal Office of the Credit Facility Provider" means (a) so long as the Initial Construction Phase Credit Facility Provider is the Credit Facility Provider, the office located at 100 N. Tryon Street, 11th Floor, Mail Code NC1-007-11-25, Charlotte, North Carolina 28255, Attn: Ellen Rogers, or such other office or offices as the Initial Construction Phase Credit Facility Provider may designate from time to time, with a copy to 1801 K Street, 2nd Floor, Mail Code DC9-909-02-02, Washington, DC 20006, Attn: Chaitali Patel, (b) so long as the Initial Permanent Phase Credit Facility Provider is the Credit Facility Provider, the office located at 8100 Jones Branch Drive, Mailstop B4F, McLean, Virginia 22102 Attn: Director of Multifamily Loan Servicing or such other office or offices as the Initial Permanent Phase Credit Facility Provider may designate from time to time, or (c) the office of any Alternate Credit Facility Provider where it principally conducts its business of serving as credit facility provider under indentures pursuant to which municipal or governmental obligations are issued, or such other office or offices as the Alternate Credit Facility Provider may designate from time to time.

"Principal Office of the Remarketing Agent" means the office of the Remarketing Agent located at 4740 Grand Avenue, Suite 100, Kansas City, Missouri 64112, Attn: Donald S. Clements, or such other office or offices as the Remarketing Agent may designate from time to time, or the office of any successor Remarketing Agent where it principally conducts its business of serving as remarketing agent under indentures pursuant to which municipal or governmental obligations are issued.

"Principal Office of the Tender Agent" means (a) when used with respect to any payments on the Bonds, the office of the Tender Agent located at MAC: T5017-241, 1021 Main Street, Suite 2403, Houston, TX 77002, Attn: Corporate Trust Services, (b) when used with respect to any notices or information to be given to the Tender Agent, the office of the Tender Agent located MAC: T5017-241, 1021 Main Street, Suite 2403, Houston, TX 77002, Attn: Corporate Trust Services , and (c) such other office or offices as the Tender Agent may designate in writing from time to time, or the office of any successor Tender Agent where it principally conducts its business of serving as tender agent under indentures pursuant to which municipal or governmental obligations are issued.

"Principal Office of the Trustee" means (a) when used with respect to any payments on the Bonds, the office of the Trustee located at MAC: T5017-241, 1021 Main Street, Suite 2403, Houston, TX 77002, Attn: Corporate Trust Services, (b) when used with respect to any notices or information to be given to the Trustee, the office of the Trustee located at MAC: T5017-241, 1021 Main Street, Suite 2403, Houston, TX 77002, Attn: Corporate Trust Services, and (c) such other office or offices as the Trustee may designate in writing from time to time, or the office of any successor Trustee where it principally conducts its business of serving as trustee under indentures pursuant to which municipal or governmental obligations are issued.

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

"Principal Reserve Schedule" means the Principal Reserve Schedule calculated in accordance with, and attached to, the Initial Permanent Phase Reimbursement Agreement.

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

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

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

"Qualified Investments" means any of the following if and to the extent permitted by law and approved in writing by the Construction Phase Credit Facility Provider prior to the Conversion Date: (a) direct and general obligations of the United States of America; (b) obligations of any agency or instrumentality of the United States the payment of the principal of and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America; (c) senior debt obligations of Initial Permanent Phase Credit Facility Provider; (d) senior debt obligations of Fannie Mae; (e) demand deposits or time deposits with, or certificates of deposit issued by, the Trustee or its affiliates or any bank organized under the laws of the United States or any state or the District of Columbia which has combined capital, surplus and undivided profits of not less than $50,000,000; provided that the Trustee or such other institution has been rated at least VMIG1/A-1+ or the equivalent by the Rating Agency which deposits or certificates are fully insured by the Federal Deposit Insurance Corporation; (f) investment agreements with the Initial Permanent Phase Credit Facility Provider or a bank or any insurance company or other financial institution which has (or the entity which guarantees or insures the obligations of such bank, insurance company or other financial institution has) a rating assigned by the Rating Agency to its outstanding long-term unsecured debt which is the highest rating (as defined below) for long-term unsecured debt obligations assigned by the Rating Agency (or the entity which guarantees or insures the obligations of such bank, insurance company or other financial institution has), and which are approved by the Initial Permanent Phase Credit Facility Provider (and also, prior to the Conversion Date, the Construction Phase Credit Facility Provider); (g) shares or units in any money market mutual fund (including mutual funds of the Trustee or its affiliates) registered under the Investment Company Act of 1940, as amended, whose investment portfolio consists solely of (i) direct obligations of the United

States government, or (ii) tax exempt obligations and which fund has been rated "AAA/Aaa" or the equivalent by the Rating Agency; (h) tax-exempt obligations rated in the highest short-term rating category by the Rating Agency, or (i) any other investments approved in writing by the Initial Permanent Phase Credit Facility Provider (and, prior to the Conversion Date, the Construction Phase Credit Facility Provider). For purposes of this definition, the "highest rating" will mean a rating of at least "VMIG1/A-1+" or the equivalent for obligations with less than one year maturity; at least "Aaa/VMIG1/AAA/A-1+" or the equivalent for obligations with a maturity of one year or greater but less than three years; and at least "Aaa," "AAA" or the equivalent for obligations with a maturity of three years or greater. Qualified Investments must be limited to instruments that have a predetermined fixed-dollar amount of principal due at maturity that cannot vary or change and interest, if tied to an index, will be tied to a single interest rate index plus a single fixed spread, if any, and move proportionately with such index.

"Qualified Project Period" means, with respect to the Development, the period beginning on the first day on which 10% of the Units are occupied and ending on the latest of (i) the date that is 15 years after the date on which 50% of the Units in the Development are occupied, (ii) the first day on which no tax-exempt private activity bond issued with respect to the Development is outstanding for federal income tax purposes, or (iii) the date on which any assistance provided with respect to the Development under Section 8 of the Housing Act terminates.

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

"Rebate Analyst" means a Person that is (i) qualified and experienced in the calculation of rebate payments under Section 148 of the Code and in compliance with the arbitrage rebate Regulations promulgated under the Code, (ii) chosen by the Borrower and (iii) engaged for the purpose of determining the amount of required deposits, if any to the Rebate Fund.

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

"Record Date" means during any Variable Period, the Business Day immediately preceding an Interest Payment Date.

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

"Reimbursement Agreement" means (a) so long as the Initial Construction Phase Credit Facility is in effect, the Initial Construction Phase Reimbursement Agreement, (b) so long as the Initial Permanent Phase Credit Facility is in effect, the Initial Permanent Phase Reimbursement Agreement, or (c) so long as any Alternate Credit Facility is in effect,, any similar agreement between the Borrower and the Alternate Credit Facility Provider then obligated under such Alternate Credit Facility pursuant to which the Borrower agrees to reimburse the Alternate Credit Facility Provider for payments made under the Alternate Credit Facility, as such agreement may be amended or supplemented.

"Reimbursement Mortgage" means (a) prior to Conversion, the Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of May 25, 2009, from the Borrower to the Initial Construction Phase Credit Facility Provider, together with a joinder thereto, to be executed by the Fee Owner and to be assigned to the Initial Permanent Phase Credit Facility Provider on the Conversion Date, as the same may be amended, restated or supplemented from time to time, and (b) from and after the Conversion Date, the Amended and Restated Second Multifamily Deed of Trust, Assignment of Rents and Security Agreement and Fixture Filing, dated as of the date of the Conversion Date, from the

Borrower to the Initial Permanent Phase Credit Facility Provider, as the same may be amended or supplemented from time to time.

"Remarketing Agent" means the remarketing agent appointed pursuant to the Indenture, initially Stern Brothers & Co.

"Remarketing Agreement" means the Remarketing Agreement with respect to the Bonds between the Remarketing Agent and the Borrower, or any similar agreement between the Remarketing Agent and the Borrower, in each case as originally executed or as it may be amended or supplemented from time to time in accordance with its terms.

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

"Requisition" means, with respect to the Bond Mortgage Loan Fund, the requisition required to be submitted in connection with disbursements from the Bond Mortgage Loan Fund and, with respect to the Cost of Issuance Fund, the requisition required to be submitted in connection with disbursements from the Cost of Issuance Fund.

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

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

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

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

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

"S&P" means Standard & Poor's Rating Services, a Division of The McGraw-Hill Companies, Inc., and its successors and assigns.

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

"Servicer" means, (i) prior to the Conversion Date, the Construction Phase Credit Facility Provider and (ii) following the Conversion Date, the eligible servicing institution designated by the Initial

Permanent Phase Credit Facility Provider, from time to time (which may be the Initial Permanent Phase Credit Facility Provider if the Initial Permanent Phase Credit Facility Provider elects to service the Bond Mortgage Loan), or its successor, as servicer of the Bond Mortgage Loan. Initially, the Servicer following the Conversion Date will be Oak Grove Commercial Mortgage, LLC.

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

"State" means the State of Texas.

"State Restrictive Period" means, with respect to the Development, the period beginning on the first day on which the Borrower takes legal possession of the Development, and at least 10% of the Units are available for occupancy and ending on the latest of (i) the date that is 30 years after the first day of the State Restrictive Period, (ii) the first date on which no tax-exempt private activity bond issued with respect to the Development is outstanding for federal income tax purposes, or (iii) the date on which any assistance provided with respect to the Development under Section 8 of the Housing Act terminates.

"Substitution Date" means the date established for the mandatory tender and purchase of the Bonds in connection with the delivery to the Trustee of an Alternate Credit Facility pursuant to the Indenture, which date may be any Business Day. The Conversion Date is not a Substitution Date.

"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 of the owners thereof for federal income tax purposes under Section 103 of the Code; however, such interest may constitute an item of tax preference or otherwise be includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax, under the Code.

"Tax Certificate" means, collectively, the No-Arbitrage Certificate of the Issuer and the Borrower's Tax Certificate, each dated the Delivery Date, executed and delivered by the Issuer and the Borrower, respectively.

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

"Trustee" means Wells Fargo Bank, National Association, a national banking association organized and existing under the laws of the United States, and its successors in trust under the Indenture.

"Trust Estate" will have the meaning set forth in the Granting Clauses of the Indenture.

"Unassigned Rights" means (a) all of the Issuer's right, title and interest in and to all reimbursement, costs, expenses and indemnification, (b) all rights of the Issuer to receive the Issuer's Fee and any rebate amount, (c) all rights of the Issuer to receive notices, reports and other statements and to make any determination and to grant any approval or consent to anything in the Indenture, the Financing Agreement, the Regulatory Agreement and the Bond Mortgage Loan Documents requiring the determination, consent or approval of the Issuer, (d) all rights of the Issuer of access to the Development and documents related thereto and to specifically enforce the representations, warranties, covenants and agreements of the Borrower set forth in the Borrower's Tax Certificate and in the Regulatory Agreement, (e) any and all rights, remedies and limitations of liability of the Issuer set forth in the Indenture, the Financing Agreement, the Regulatory Agreement and the Bond Mortgage Loan Documents, as applicable, regarding (1) the negotiability, registration and transfer of the Bonds, (2) the loss or destruction of the Bonds, (3) the limited liability of the Issuer as provided in the Act, the Indenture, the Financing Agreement, the Regulatory Agreement and the Bond Mortgage Loan Documents, (4) the

maintenance of insurance by the Borrower, (5) no liability of the Issuer to third parties, and (6) no warranties of suitability or merchantability by the Issuer, (f) all rights of the Issuer in connection with any amendment to or modification of the Indenture, the Financing Agreement, the Regulatory Agreement and the Bond Mortgage Loan Documents (but, as to the Bond Mortgage Loan Documents, only to the extent of the Issuer's Unassigned Rights, as defined therein), (g) any and all limitations of the Issuer's liability and the Issuer's disclaimers of warranties set forth in the Indenture, the Regulatory Agreement or the Financing Agreement, and the Issuer's right to inspect and audit the books, records and permits of the Borrower and the Development, and (h) any and all rights under the Financing Agreement and the Regulatory Agreement required for the Issuer to enforce or to comply with Section 2306.186 of the Texas Government Code.

"Underwriter" means, collectively, Citigroup Global Markets Inc. and Stern Brothers & Co.

"Unit" means a residential accommodation containing separate and complete facilities for living, sleeping, eating, cooking and sanitation located within the Development.

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

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

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

"Variable Rate" means the variable rate of interest borne by the Bonds as determined in accordance with the Indenture, which will not exceed the Maximum Rate.

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

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS

THE INDENTURE

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

Establishment of Funds

In addition to the Bond Mortgage Loan Fund, which includes a Bond Proceeds Account and an Equity Account and the Bond Purchase Fund, the Indenture establishes the following funds:

(a) Revenue Fund, and within the Revenue Fund, a General Account and a Credit Facility Account;

(b) Bond Fund, and within the Bond Fund, a Purchased Bonds Account;

(c) Redemption Fund;

(d) Administration Fund;

(e) Cost of Issuance Fund, and within the Cost of Issuance Fund, a Bond Proceeds Account and an Equity Account;

(f) Principal Reserve Fund; and

(g) Rebate Fund.

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

Bond Mortgage Loan Fund

Amounts on deposit in the Bond Proceeds Account of the Bond Mortgage Loan Fund will be disbursed from time to time by the Trustee for the purpose of paying (a) interest on the Bonds during the Construction Phase, (b) the Bond Fee Component, and any fees due and payable to the Credit Facility Provider during the Construction Phase, including the Initial Construction Phase Credit Facility Fee or (c) Costs of the Development that are approved by the Construction Phase Credit Facility Provider pursuant to the terms, conditions and provisions of the Construction Phase Credit Documents excluding Costs of Issuance. In addition, amounts in the Bond Proceeds Account of the Bond Mortgage Loan Fund may be used to pay the Purchase Price of Bonds or for transfer to the Redemption Fund and the Rebate Fund as described below.

Unless the Trustee is otherwise instructed by the Construction Phase Credit Facility Provider, until May 1, 2010 the Trustee will automatically transfer amounts in the Bond Proceeds Account of the Bond Mortgage Loan Fund to the Bond Fund to pay interest on the Bonds without the need to receive executed Requisitions.

Immediately prior to (a) any mandatory redemption of Bonds pursuant to the terms of the Indenture described under clause (b) under "THE BONDS—Mandatory Redemption" or (b) any mandatory redemption of Bonds in whole as pursuant to the terms of the Indenture described under clause (e) or clause (f) under "THE BONDS—Mandatory Redemption," any amounts then remaining in the Bond Proceeds Account of the Bond Mortgage Loan Fund will, at the written direction of the Credit Facility Provider, be transferred to the Redemption Fund to be applied to (1) the redemption of Bonds described under "THE BONDS—Mandatory Redemption" or (2) the redemption of Bonds described under clause (e) or clause (f) under "THE BONDS—Mandatory Redemption."

Any amounts remaining on deposit in the Bond Proceeds Account of the Bond Mortgage Loan Fund upon the earlier of (i) the Conversion Date, and not required to pay Costs of the Development not yet due and payable or being contested in good faith, in each case determined by the Construction Phase Credit Facility Provider in accordance with the Construction Phase Credit Documents, or (b) the expiration date of the Construction Phase Credit Facility or the Forward Commitment Maturity Date, will be transferred to the Redemption Fund and applied to the redemption of Bonds described under clause (e) under "THE BONDS—Mandatory Redemption."

All Investment Income earned on amounts on deposit in the Bond Proceeds Account of the Bond Mortgage Loan Fund will be retained in and credited to and become a part of the amounts on deposit in the Bond Mortgage Loan Fund.

The Trustee will disburse amounts held in the Equity Account of the Bond Mortgage Loan Fund as directed in writing by an Authorized Officer of the Servicer or the applicable Credit Facility Provider based on a requisition by the Borrower or to pay the Initial Construction Phase Credit Facility Fee so long as the Initial Construction Phase Credit Facility is outstanding and until the Conversion Date and otherwise as directed in writing by an Authorized Officer of the Initial Construction Phase Credit Facility Provider.

Revenue Fund

There will be deposited in the Credit Facility Account of the Revenue Fund all amounts paid pursuant to the Credit Facility. All investment income earned on amounts on deposit in the Bond Proceeds Account of the Bond Mortgage Loan Fund will be retained therein to be used for purposes of the Bond Mortgage Loan Fund, including any disbursements or transfers described under "Bond Mortgage Loan Fund" above. All Revenues will be deposited by the Trustee, promptly upon receipt thereof, to the General Account of the Revenue Fund, except (a) the proceeds of the Bonds received by the Trustee on the Delivery Date; (b) as otherwise specifically provided in the second paragraph below with respect to certain deposits into the Redemption Fund; (c) the Bond Fee Component will be deposited to the Administration Fund; (d) as otherwise specifically provided the second paragraph below with respect to certain deposits into the Redemption Fund; (e) as otherwise specifically provided in the second paragraph under "Administration Fund" below with respect to deficiencies in the Administration Fund; (f) with respect to investment earnings to the extent required under the terms of the Indenture to be retained in the funds and accounts to which they are attributable; (g) as otherwise specifically provided under "Principal Reserve Fund" below with respect to certain deposits into the Principal Reserve Fund; and (h) with respect to amounts required to be transferred between funds and accounts as provided in the Indenture. Except as set forth in the second to last paragraph under Bond Mortgage Loan Fund" above, all

investment income earned on amounts on deposit in the Bond Mortgage Loan Fund will be retained therein to be used for purposes of the Bond Mortgage Loan Fund, including any disbursements or transfers described under "Bond Mortgage Loan Fund" above.

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

FIRST: To the Bond Fund from money in the Credit Facility Account of the Revenue Fund, an amount equal to the principal of and interest on the Bonds (after taking into account payments of interest made from the Bond Proceeds Account of the Bond Mortgage Loan Fund described under "Bond Mortgage Loan Fund" above) due on such date (excluding principal of or interest on any Purchased Bonds and excluding the principal constituting a mandatory sinking fund redemption payment on any Bonds on such Interest Payment Date); and

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

THIRD: To the Redemption Fund from money in the Credit Facility Account (i) amounts paid to the Trustee under the Credit Facility to be applied to the mandatory redemption of all or a portion of the Bonds (other than a mandatory sinking fund redemption), and (ii) amounts paid to the Trustee under the Credit Facility to be applied to the optional redemption of all or a portion of the Bonds (See "THE BONDS – Optional Redemption of the Bonds" and "Mandatory Redemption"; and

FOURTH: To the Purchased Bonds Account in the Bond Fund from money in the General Account, an amount equal to the interest due on the Purchased Bonds on such Interest Payment Date.

Immediately upon receipt, the Trustee will deposit directly to the Redemption Fund (a) Net Proceeds representing casualty insurance proceeds or condemnation awards paid as a prepayment of the Bond Mortgage Loan, such amount to be applied to reimburse the Credit Facility Provider for a draw under the Credit Facility in such amount to provide for extraordinary mandatory redemption of all or a portion of the Bonds; (b) Eligible Funds (other than draws under the Credit Facility) paid to the Trustee to be applied to the optional redemption of all or a portion of the Bonds; (c) Eligible Funds (other than draws under the Credit Facility) paid to the Trustee to be applied to the payment of any redemption premium in connection with an optional redemption of all or a portion of the Bonds; and (d) amounts transferred to the Redemption Fund from the Bond Proceeds Account of the Bond Mortgage Loan Fund as described under "Bond Mortgage Loan Fund" above.

Immediately upon receipt, the Trustee will deposit directly to the Principal Reserve Fund all Principal Reserve Schedule Payments received from the Servicer (from and after Conversion) or the Borrower.

Immediately upon receipt, the Trustee will deposit directly to the Administration Fund the Bond Fee Component received from the Servicer (from and after Conversion) or the Borrower.

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

Bond Fund

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

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

Redemption Fund

Any money credited to the Redemption Fund will be applied as described under "Revenue Fund" above; provided, however, that amounts transferred to the Redemption Fund pursuant to the last paragraph under "Principal Reserve Fund" below will be applied to the reimbursement of the Credit Facility Provider for amounts drawn under the Credit Facility in a like amount; provided further that to the extent any money credited to the Redemption Fund from Eligible Funds (other than draws under the Credit Facility) is in excess of the amount necessary to effect the redemptions described under "Revenue Fund" above, it will be applied to make up any deficiency in the Bond Fund on any Interest Payment Date, to the extent money then available described under "Revenue Fund" above in the General Account of the Revenue Fund and the Administration Fund are insufficient to make up such deficiency, provided that no money to be used to effect a redemption for which a conditional notice of redemption, the conditions of which have been satisfied, or an unconditional notice of redemption has been provided or money which is held for payment of Bonds which are no longer Outstanding under the Indenture will be so transferred to the Bond Fund.

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

Administration Fund

Amounts on deposit in the Administration Fund will be withdrawn or maintained, as appropriate, by the Trustee and used as follows:

FIRST, in accordance the provisions of the Indenture described under "Revenue Fund" above, to make up any deficiency in the Bond Fund on any Interest Payment Date, to the extent money then available in the General Account of the Revenue Fund is insufficient to make up such deficiency;

SECOND, to pay to the Trustee when due the Ordinary Trustee's Fees and Expenses;

THIRD, to pay to the Issuer when due the Issuer Fee;

FOURTH, to pay when due the reasonable fees and expenses of a Rebate Analyst in connection with the computations relating to arbitrage rebate required under the Indenture and the Financing Agreement upon receipt of an invoice from the Rebate Analyst;

FIFTH, to pay to the Credit Facility Provider any unpaid portion of amounts due under the Reimbursement Agreement, as certified in writing by the Credit Facility Provider to the Trustee;

SIXTH, from and after Conversion, to pay to the Servicer any unpaid portion of the Ordinary Servicing Fees and Expenses and any Extraordinary Servicing Fees and Expenses due and owing from time to time, as set forth in an invoice submitted to the Trustee and the Credit Facility Provider;

SEVENTH, to deposit to the Custodial Escrow Account any deficiency in the amount held therein as certified in writing by the Servicer (or subsequent holder of the account) to the Trustee;

EIGHTH, to pay to the Trustee any Extraordinary Trustee's Fees and Expenses due and payable from time to time, as set forth in an invoice submitted to the Issuer and the Credit Facility Provider and to the Issuer any extraordinary expenses it may incur in connection with the Bonds or the Indenture from time to time, as set forth in an invoice submitted to the Trustee and the Credit Facility Provider;

NINTH, to pay to the Remarketing Agent any unpaid portion of the Remarketing Agent Fee owed the Remarketing Agent under the Remarketing Agreement;

TENTH, to make up any deficiency in the Redemption Fund on any redemption date of Bonds, to the extent money then available in accordance the provisions of the Indenture described under "Revenue Fund" above in the Redemption Fund is insufficient to redeem Bonds called for redemption on such redemption date;

ELEVENTH, to pay to the Rating Agency when due, the annual rating maintenance fee, if any, of the Rating Agency;

TWELFTH, to pay to the Counterparty ongoing fees owed to such Counterparty, if any, as certified in writing by the Counterparty to the Trustee; and

THIRTEENTH, to transfer any remaining balance after application as aforesaid to the General Account of the Revenue Fund.

In the event that the amounts on deposit in the Administration Fund are not equal to the amounts payable from the Administration Fund as provided in the preceding paragraph on any date on which such amounts

are due and payable, the Trustee will give notice to the Borrower of such deficiency and of the amount of such deficiency and request payment within two Business Days to the Trustee of the amount of such deficiency. Upon payment by the Borrower of such deficiency, the amounts for which such deficiency was requested will be paid by the Trustee.

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

Principal Reserve Fund

From and after the Conversion Date, there will be deposited into the Principal Reserve Fund that portion of the monthly payments made by the Borrower in accordance the Principal Reserve Schedule. Any interest earned on or profits realized from amounts on deposit in the Principal Reserve Fund will be deposited into the Principal Reserve Fund and, provided that the Trustee has not received notice from the Servicer of a deficiency in the Principal Reserve Fund, the Hedge Fee Escrow or other Custodial Escrow Account held by the Servicer, or any deficiency in the Administration Fund or the Rebate Fund, and the Trustee has not received notice of any default under any of the Bond Mortgage Loan Documents, will be paid to the Borrower on the Interest Payment Date next succeeding receipt of such interest or profits by the Trustee. In addition, remarketing proceeds relating to Purchased Bonds will be deposited in the Principal Reserve Fund and used to reimburse the Credit Facility Provider in an amount equal to the amount of any Liquidity Advance paid to the Trustee to purchase Bonds on any Settlement Date. At the direction of the Credit Facility Provider after Conversion, amounts on deposit in the Principal Reserve Fund also may be applied to pay any amounts required to be paid by the Borrower under any of the Bond Mortgage Loan Documents or amounts owed to the Initial Permanent Phase Credit Facility Provider in connection with any loan purchased by Initial Permanent Phase Credit Facility Provider and secured by the Development, including without limitation, any amounts required to be paid to the Initial Permanent Phase Credit Facility Provider or to pay any other amount agreed to in writing by the Borrower and the Initial Permanent Phase Credit Facility Provider and following the occurrence of an event of default under any Bond Mortgage Loan Document as certified in writing by the Credit Facility Provider, for any use specified by the Credit Facility Provider.

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

From and after the Conversion Date, on any Interest Payment Date, to the extent of any deficiency in the Bond Fund, to the extent money then available in accordance with the provisions of the Indenture described under "Revenue Fund" above in the General Account of the Revenue Fund, the Administration Fund and the Redemption Fund is insufficient to make up such deficiency, at the direction of the Credit Facility Provider amounts on deposit in the Principal Reserve Fund will be transferred to the Bond Fund in the amount of such deficiency.

From and after the Conversion Date, during a Variable Rate Period, if the aggregate amount on deposit in the Principal Reserve Fund on the 15th day of any month equals or exceeds $100,000, an amount equal to the amount on deposit in the Principal Reserve Fund (rounded downward to the nearest integral multiple of $100,000 or any integral multiple of $5,000 in excess thereof) will be transferred to

the Redemption Fund to reimburse the Credit Facility Provider for amounts drawn under the Credit Facility to effect redemptions of Bonds described under "THE BONDS—Mandatory Redemption" above, on the next earliest Interest Payment Date for which notice of redemption under the Indenture can be given.

Investment of Funds

The money held by the Trustee will constitute trust funds for the purposes of the Indenture. Any money attributable to each of the funds and accounts under the Indenture, other than money derived from the Credit Facility amounts held in the Principal Reserve Fund and the Equity Account of the Bond Mortgage Loan Fund and amounts held in the Bond Purchase Fund, will be invested by the Trustee, at the written direction of the Borrower and, subject to the Initial Permanent Phase Credit Facility, in Qualified Investments which mature on the earliest of (a) six months from the date of investment and (b) the date such money is needed; provided, that if the Trustee will have entered into any investment agreement requiring investment of money in any fund or account under the Indenture in accordance with such investment agreement and if such investment agreement constitutes a Qualified Investment, such money will be invested in accordance with such requirements; provided further, that all amounts held in the Credit Facility Account of the Revenue Fund will be held uninvested or will be invested only in Government Obligations or in Qualified Investments of the type described in clause (g) of the definition thereof; and provided further, that all funds in the Principal Reserve Fund will be invested as provided in the Initial Permanent Phase Reimbursement Agreement, which, in any case, will mature or be subject to tender or redemption at par on or prior to the earlier of: (i) 30 days from the date of investment, or (ii) the date such money is required to be applied pursuant to the provisions of the Indenture. Except as otherwise provided in the preceding sentence, in the absence of the written direction of the Borrower, the Trustee will invest all amounts in the funds and accounts established under the Indenture in investments described in clause (g) of the definition of Qualified Investments. Such investments may be made through the investment or securities department of the Trustee. All such Qualified Investments purchased with money in any fund or account under the Indenture will mature, or will be subject to redemption or withdrawal without discount or penalty at the option of the Trustee, prior to the next succeeding Interest Payment Date.

Qualified Investments representing an investment of money attributable to any fund or account will be deemed at all times to be a part of said fund or account, and, except as otherwise may be provided expressly in the Indenture, the interest thereon and any profit arising on the sale thereof will be credited to the General Account of the Revenue Fund, and any loss resulting on the sale thereof will be charged against General Account of the Revenue Fund. Such investments will be sold at the best price obtainable (at least par) whenever it will be necessary so to do in order to provide money to make any transfer, withdrawal, payment or disbursement from said fund or account. In the case of any required transfer of money to another such fund or account, such investments may be transferred to that fund or account in lieu of the required money if permitted hereby as an investment of money in that fund or account.

Notwithstanding anything to the contrary, Bond proceeds and any interest thereon will be expended in accordance with the Act and Section 1201.042 of the Texas Government Code, as amended.

Cost of Issuance Fund

The Trustee will use moneys on deposit to the credit of the Cost of Issuance Fund to pay the costs of issuance on the Delivery Date or as soon as practicable thereafter in accordance with written instructions to be given to the Trustee by the Borrower and the Construction Phase Credit Facility Provider, upon delivery to the Trustee of appropriate invoices for such expenses. Amounts remaining on deposit in the Bond Proceeds Account of the Cost of Issuance Fund three months after the Delivery Date

are to be transferred to the Bond Proceeds Account of the Bond Mortgage Loan Fund. Amounts remaining on deposit in the Equity Account of the Cost of Issuance Fund three months after the Delivery Date will be transferred as directed by the Construction Phase Credit Facility Provider.

Rebate Fund

The Rebate Fund will be established by the Trustee and held and applied as provided in the Indenture. On any date on which any amounts are required by applicable federal tax law to be rebated to the federal government, amounts will be deposited into the Rebate Fund by the Borrower for such purpose. All money at any time deposited in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the rebate requirement, for payment to the United States Government, and none of the Issuer, the Borrower, the Credit Facility Provider or the Bondholders will have any rights in or claim to such moneys. All amounts deposited into or on deposit in the Rebate Fund will be governed by the Indenture.

Amounts Remaining in Funds

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

Drawings under the Credit Facility

The Credit Facility will be held by the Trustee and drawn upon in accordance with its terms and the provisions of the Indenture. Money derived from draws upon the Credit Facility will be deposited in the Credit Facility Account of the Revenue Fund and applied by the Trustee to pay the principal of and interest on the Bonds, and, in the event of a purchase of the Bonds, to pay, to the extent provided in the Credit Facility, the Purchase Price of the Bonds in accordance with the Indenture, provided that the Trustee will not be permitted to draw upon the Credit Facility to pay principal of or interest on Purchased Bonds or any Bond held by the Borrower.

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

Following the Conversion Date, the Trustee will draw money under the Credit Facility in accordance with the terms thereof in an amount sufficient to make timely payments of the principal of and interest, but not premium, on the Bonds when due and payable (i.e. on Interest Payment Dates, at Bond maturity or upon the redemption or acceleration of the maturity of the Bonds).

While the Bonds are bearing interest at the Variable Rate, should any Variable Interest Computation Date fall between the date of the draw on the Credit Facility and the next Interest Payment Date on the Bonds, the Trustee will assume that the Bonds will bear interest at the Maximum Rate from such Variable Interest Computation Date to the next Interest Payment Date and will draw on the Credit Facility accordingly. In the event that the Maximum Rate exceeds the actual interest rate during such period, the excess interest will be immediately returned to the Credit Facility Provider.

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

Events of Default; Acceleration; Remedies

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

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

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

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

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

Upon the occurrence of an Event of Default as described in clause (b) of this section "Event of Default; Acceleration; Remedies;" the Trustee shall, upon the written request of the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding and receipt of indemnity satisfactory to it, by notice in writing delivered to the Issuer, declare the principal of all Bonds then

Outstanding and the interest accrued and to accrue thereon immediately due and payable. Upon the occurrence of an Event of Default (other than an Event of Default as described in clause (b) of this section), the Trustee shall, but only upon receipt from the Credit Facility Provider of a notice directing such acceleration (which notice may be given in the sole discretion of the Credit Facility Provider), by notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable and, upon the Credit Facility Provider having honored a properly presented and conforming draw under the Credit Facility to pay such amounts, interest on the Bonds shall cease to accrue, anything contained in the Indenture or in the Bonds to the contrary notwithstanding. The payment on the Bonds resulting from a declaration of acceleration on the Bonds as the result of an Event of Default occurring under Section 6.01(a) or (c) shall be made from the Credit Facility.

If at any time after the Bonds will have been so declared due and payable, and before any judgment or decree for the payment of the money due will have been obtained or entered, the Issuer, the Borrower or the Credit Facility Provider, as applicable, will pay to or deposit with the Trustee a sum sufficient to pay all principal of the Bonds then due (other than solely by reason of such declaration) and all unpaid installments of interest (if any) upon all the Bonds then due, with interest at the rate borne by the Bonds on such overdue principal and (to the extent legally enforceable) on such overdue installments of interest, and the reasonable fees and expenses of the Trustee will have been made good or cured or adequate provision will have been made therefor, and all outstanding amounts then due and unpaid under the Reimbursement Agreement (including, from and after Conversion, with respect to the Initial Permanent Phase Credit Facility Provider all outstanding Reimbursement Amounts and all Credit Enhancement Fees) will have been paid in full, and all other defaults under the Indenture will have been made good or cured or waived in writing by the Credit Facility Provider (or, if an Event of Default under clause (b) of this section has occurred and is then continuing, by the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding), then and in every case, the Trustee on behalf of the Holders of all the Outstanding Bonds will rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default, nor will it impair or exhaust any right or power consequent thereon.

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

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

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

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

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

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

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

Rights of Bondholders

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

Remedies of Bondholders

No Holder of any Bond will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust under the Indenture or for the appointment of a receiver or any other remedy under the Indenture, unless (a) a default will have occurred of which the Trustee will have been notified as provided in the Indenture; (b) such default will have become an Event of Default under clause (b) of the first paragraph of "Events of Default; Acceleration; Remedies" above; (c) the Holders of more than 51% of the principal amount of Bonds then Outstanding with respect to which there is such an Event of Default will have made written request to the Trustee and will have offered reasonable opportunity to the Trustee either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (d) such Holders will have

offered to the Trustee indemnity as provided in the Indenture; and (e) the Trustee will within 60 days thereafter fail or refuse to exercise the powers granted in the Indenture, or to institute such action, suit or proceeding; it being understood and intended that no one or more Holders of the Bonds will have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture or the rights of any other Holders of Bonds or to obtain priority or preference over any other Holders or to enforce any right under the Indenture, except in the manner provided in the Indenture with respect to the equal and ratable benefit of all holders of Bonds with respect to which there is a default. Nothing contained in the Indenture will, however, affect or impair the right of any Bondholder to enforce the payment of the principal of, the premium, if any, and interest on any Bond at the maturity thereof or the obligation of the Issuer to pay the principal of, premium, if any, and interest on the Bonds issued under the Indenture to the respective holders thereof, at the time, in the place, from the sources and in the manner expressed in the Indenture and in said Bonds.

Rights of the Credit Facility Provider

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

Supplemental Indentures Not Requiring Consent of Bondholders

The Issuer and the Trustee may without the consent of, or notice to, any of the Bondholders, but with the prior written consent of the Credit Facility Provider and, prior to the Conversion Date, the Initial Permanent Phase Credit Facility Provider so long as the Forward Commitment will be in effect, enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

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

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

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

(d) to modify, amend or supplement the Indenture or any indenture supplemental hereto in such manner as 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 to permit the qualification of the Bonds for sale under any state blue sky laws;

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

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

(g) during a Variable Period, to modify, amend or supplement the Indenture in any other respect, including amendments which would otherwise be described under "Supplemental Indentures Requiring Consent of Bondholders", if notice of the proposed supplemental indenture is given to Bondholders (in the same manner as notices of redemption are given) at least 30 days before the effective date thereof and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds;

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

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

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

Supplemental Indentures Requiring Consent of Bondholders

With the prior written consent of the Credit Facility Provider and, prior to the Conversion Date, the Initial Permanent Phase Credit Facility Provider so long as the Forward Commitment will be in effect, the Holders of more than 51% of the aggregate principal amount of Bonds then Outstanding will have the right, from time to time, to consent to and approve the execution by the Issuer and the Trustee of such indenture or indentures supplemental to the indenture as will be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing described under "Supplemental Indentures Requiring Consent of Bondholders" above will permit, or be construed as permitting, (a) an extension of the time for payment of or reduction in the Purchase Price, or an extension of the time for payment of, or an extension of the stated maturity or reduction in the principal amount or

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

If at any time the Issuer will request the Trustee to enter into any such supplemental indenture for any of the purposes described under "Supplemental Indentures Requiring Consent of Bondholders", the Trustee will, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed, postage prepaid, to all registered Bondholders, to the Credit Facility Provider and the Rating Agency and, prior to Conversion, the Initial Permanent Phase Credit Facility Provider so long as the Forward Commitment will be in effect. Such notice will briefly set forth the nature of the proposed supplemental indenture and will state that copies thereof are on file at the corporate trust office of the Trustee for inspection by all Bondholders, the Credit Facility Provider and prior to the Conversion Date the Initial Permanent Phase Credit Facility Provider so long as the Forward Commitment is in effect. Such notice will briefly set forth the nature of the proposed supplemental indenture and will state that copies thereof are on file at the corporate trust office of the Trustee for inspection by all Bondholders.

Thirty days after the date of the mailing of such notice, the Issuer and the Trustee may enter into such supplemental indenture substantially in the form described in such notice, but only if there will have first been or are simultaneously delivered to the Trustee the required consents, in writing, of the Credit Facility Provider, and prior to the Conversion Date, the Initial Construction Phase Credit Facility Provider and the Holders of not less than the percentage of Bonds required as described under "Supplemental Indentures Requiring Consent of Bondholders". If the Holders of not less than the percentage of Bonds required as described under "Supplemental Indentures Requiring Consent of Bondholders" will have consented to and approved the execution and delivery of a supplemental indenture as provided in the Indenture, no Holder of any Bond will have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture permitted by the Indenture and provided, the Indenture will be and be deemed to be modified and amended in accordance therewith.

Anything in the Indenture to the contrary notwithstanding, unless the Borrower will then be in default of any of its obligations under the Financing Agreement, the Reimbursement Agreement, the Regulatory Agreement, the Bond Mortgage Note, the Bond Mortgage or the Reimbursement Mortgage, a supplemental indenture under the Indenture which affects any rights of the Borrower will not become effective unless and until the Borrower will have expressly consented in writing to the execution and delivery of such supplemental indenture.

Amendments to Financing Agreement Not Requiring Consent of Bondholders

The Trustee will, without the consent of, or notice to, the Bondholders, but with the consent of the Borrower, the Credit Facility Provider and, prior to the Conversion Date, the Initial Permanent Phase Credit Facility Provider so long as the Forward Commitment will be in effect, consent to any amendment, change or modification of the Financing Agreement as follows:

(a) as may be required by the provisions of the Initial Permanent Phase Credit Facility, by the Financing Agreement or by the Indenture;

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

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

(d) to modify or amend the Financing Agreement as necessary to maintain then current rating on the Bonds except no change may be made that will materially adversely affect the interests of any Holder of an Outstanding Bond after the effective date of such change;

(e) during a Variable Period, to modify, alter, amend or supplement the Financing Agreement in any other respect including amendments which would otherwise be described under "Amendments to Financing Agreement Requiring Consent of Bondholders" below, if notice of the proposed amendments is given to Bondholders (in the same manner as notices of redemption are given) at least 30 days before the effective date thereof and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to the Indenture;

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

(g) to modify, amend or supplement the Financing Agreement in any other respect which is not materially adverse to the Trustee or Holders of the Bonds to be Outstanding after the effective date of the change. Amendments to Financing Agreement Requiring Consent of Bondholders

Except for the amendments, changes or modifications of the Financing Agreement as provided under "Amendments to Financing Agreement Not Requiring Consent of Bondholders" above, neither the Issuer nor the Trustee will consent to any other amendment, change or modification of the Financing Agreement without the consent of the Credit Facility Provider, the Borrower and, prior to the Conversion Date, the Initial Permanent Phase Credit Facility Provider so long as the Forward Commitment will be in effect, and without the giving of notice and the written approval or consent of the Holders of at least 51% of the aggregate principal amount of Bonds then Outstanding given and procured in accordance with the procedure set forth in the Indenture; provided, however, that nothing contained in the Indenture will permit, or be construed as permitting, any amendment, change or modification of the Borrower's obligation to make the payments required under the Financing Agreement without the written consent of the Holders of all of the Bonds then Outstanding. If at any time the Issuer and the Borrower will request the consent of the Trustee to any such proposed amendment, change or modification of the Financing Agreement, the Trustee will cause notice of such proposed amendment, change or modification to be given in the same manner as provided in the Indenture. Such notice will briefly set forth the nature of such proposed amendment, change or modification and will state that copies of the instrument embodying the same are on file at the Principal Office of the Trustee for inspection by Bondholders.

Amendments to the Credit Facility

The Trustee may, without the consent of, or notice to, any of the Bondholders, enter into any amendment, change or modification of the Credit Facility (a) as may be required by the provisions of the

Credit Facility (including but not limited to certain provisions of the Initial Permanent Phase Credit Facility), (b) to cure any ambiguity, inconsistency or formal defect or omission in the Credit Facility, (c) in a manner which is not prejudicial to the interests of the Bondholders (which will be conclusively evidenced by an opinion of counsel delivered to the Trustee, the Credit Facility Provider and the Issuer or by a written confirmation from the Rating Agency of then existing rating on the Bonds delivered to the Trustee, the Credit Facility Provider and the Issuer), or (d) as may be required by the Rating Agency to maintain then current rating on the Bonds. Except for the amendments, changes and modifications permitted pursuant to the preceding sentence, neither the Trustee, the Credit Facility Provider nor the Issuer will enter into any amendment, change or modification of the Credit Facility without the giving of notice and the written approval or consent of the Holders of more than 51% of the principal amount of Bonds then Outstanding given and procured in accordance with the procedures described under "Supplemental Indentures Requiring Consent of Bondholders" above.

Trustee

There will at all times be a Trustee under the Indenture which is a trust company or bank (having trust powers) in good standing, which maintains a corporate trust office within the State and will have an unimpaired capital and surplus of not less than $50,000,000, if there be such an institution willing, qualified and able to accept the trusts upon reasonable or customary terms. If such corporation or association publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital and surplus of such corporation or association will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee will cease to be eligible in accordance with the provisions of this Section, the Trustee will resign immediately in the manner and with the effect described below.

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

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

The Trustee may be removed at any time, either with or without cause, with the consent of the Credit Facility Provider (which consent of the Credit Facility Provider will not be unreasonably withheld)

by a written instrument signed by the Issuer and delivered to the Trustee, the Borrower, the Tender Agent and the Remarketing Agent, and if an Event of Default will have occurred and be continuing, other than an Event of Default pursuant to the Indenture caused by the failure by the Credit Facility Provider to make when due a required payment under the Credit Facility, by a written instrument signed by the Credit Facility Provider and delivered to the Trustee, the Issuer, the Borrower, the Tender Agent and the Remarketing Agent. The Trustee may also be removed, if an Event of Default pursuant to the Indenture caused by the failure by the Credit Facility Provider to make when due a required payment under the Credit Facility will have occurred and be continuing, by a written instrument or concurrent instruments signed by the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding and delivered to the Trustee, the Issuer, the Borrower, the Tender Agent, the Remarketing Agent and the Credit Facility Provider and, prior to the Conversion Date, the Initial Permanent Phase Credit Facility Provider. Any such removal will take effect on the day specified in such written instrument(s), but the Trustee will not be discharged from the trusts created by the Indenture until a successor Trustee has been appointed by the Borrower, selecting from a list of approved trustees provided by the Issuer, and consented to in writing by the Issuer and the Credit Facility Provider, and has accepted such appointment and has agreed in writing to be bound by the duties and obligations of the Trustee under the Intercreditor Agreement.

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

If, in a proper case, no appointment of a successor Trustee will be made pursuant to the Indenture within 60 days following delivery of all required notices of resignation given pursuant to the Indenture or of removal of the Trustee as described above, the retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. The court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Satisfaction and Discharge of Indenture

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

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

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

(c) by the delivery to the Trustee, for cancellation by it, of all Bonds Outstanding;

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

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

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

THE FINANCING AGREEMENT

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

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

Terms of the Bond Mortgage Loan

The Bond Mortgage Loan will (a) be evidenced by the Bond Mortgage Note; (b) be initially secured by the Construction Phase Credit Facility and the Bond Mortgage; (c) be in the original principal amount of $13,690,000; (d) bear interest as provided in the Bond Mortgage Note; (e) provide for monthly payments into the Principal Reserve Fund upon Conversion in accordance with the Principal Reserve Schedule, and (e) be subject to optional and mandatory prepayment at the times, in the manner and on the terms, and have such other terms and provisions, as provided in the Financing Agreement and in the Bond Mortgage Note.

Payments Under the Bond Mortgage Note; Independent Obligation of Borrower

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

Payment of Certain Fees and Expenses Under the Bond Mortgage Note

In addition to the payments required by the Financing Agreement, payments to be made by the Borrower under the Bond Mortgage Note also include certain moneys to be paid in respect of, among others, the Bond Fee Component, the Ordinary Servicing Fees and Expenses, payments to the Counterparty in connection with any Hedge Agreement, the fees payable to the Credit Facility Provider (including fees payable to the Initial Permanent Phase Credit Facility Provider, the Credit Enhancement Fee and the Swap Credit Enhancement Fee, if any), the Principal Reserve Schedule payments, the annual rating maintenance fees of the Rating Agency and amounts required to be deposited in any Custodial Escrow Account pursuant to the Bond Mortgage Loan Documents, as set forth in the Financing Agreement. To the extent that any portion of the Bond Fee Component, Ordinary Servicing Fees and Expenses, the fixed rate payment to the Counterparty pursuant to the Hedge Agreement if the Hedge is an interest rate swap, the fees and expenses of the Credit Facility Provider, the Remarketing Agent's fees,

the annual rating maintenance fees of the Rating Agency or amounts required to be deposited in any Custodial Escrow Account remain due and owing at any time, such amounts remaining due and owing will be payable from moneys on deposit in the Administration Fund as provided in the Indenture or from other moneys of the Borrower, to the extent that moneys in the Administration Fund are insufficient for such purposes. All other fees and expenses will be payable by the Borrower as provided in the Financing Agreement.

Prepayment of Bond Mortgage Loan

The Borrower will have the option to prepay the Bond Mortgage Loan in full or in part prior to the payment and discharge of all the outstanding Bonds only in accordance with the provisions of the Indenture and the Financing Agreement, and only with the prior written consent of the Credit Facility Provider, and payment of any amount due under the next succeeding paragraph. The Bonds are subject to redemption in accordance with the terms and conditions set forth in the Indenture. The Borrower will prepay the Bond Mortgage Loan in each instance in which Bonds are required to be redeemed pursuant to the Indenture. In connection with any prepayment, whether optional or mandatory, in addition to all other payments required under the Bond Mortgage Note, the Borrower will pay, or cause to be paid to the Servicer (from and after the Conversion Date) or other party as directed by the Credit Facility Provider (or, if no Credit Facility is then in effect, to the Trustee), an amount sufficient to pay the redemption price of the Bonds to be redeemed, including principal, interest and premium (if any), such premium to be paid in Eligible Funds not consisting of funds drawn under the Credit Facility, and further including any interest to accrue with respect to the Bond Mortgage Loan and such Bonds between the prepayment date and the redemption date, together with a sum sufficient to pay all fees, costs and expenses in connection with such redemption and, in the case of redemption in whole, to pay all other amounts payable under the Financing Agreement, the Indenture and the Reimbursement Agreement.

Borrower's Obligations Upon Redemption or Mandatory Tender

In the event of any redemption, the Borrower will timely pay to the Trustee, or cause to be paid to the Trustee through the Servicer from and after Conversion, two Business Days in advance of the times specified in the Indenture, an amount equal to the principal amount of such Bonds or portions thereof called for redemption, together with interest accrued to the redemption date and premium (if any), such premium to be paid in Eligible Funds not consisting of funds drawn under the Credit Facility, at such times and in the amounts specified in the Indenture. The Borrower will timely pay all fees, costs and expenses associated with any redemption of Bonds. In the event that on any optional tender date or mandatory tender date under and as provided in the Indenture, Bonds are tendered and not remarketed by the Remarketing Agent, and remarketing proceeds are not available for the purpose of paying the purchase price of such Bonds, the Borrower will cause to be paid, under and subject to the terms of the Credit Facility and the Reimbursement Agreement to the Trustee by the applicable times provided in the Indenture an amount equal to the principal amount of such Bonds tendered and not remarketed, together with interest accrued to the mandatory tender date or optional tender date, as the case may be.

Principal Reserve Fund

The Borrower will make payments to the Servicer for remittance to the Trustee for deposit into the Principal Reserve Fund on the second Business Day preceding the first day of each calendar month following Conversion in accordance with the Principal Reserve Schedule. Amounts on deposit in the Principal Reserve Fund will be applied as provided in the Indenture.

Amounts in the Principal Reserve Fund will not be credited against the principal amount of the Bond Mortgage Note or be deemed to be interest payments on the Bond Mortgage Loan until the date

such amounts are withdrawn from the Principal Reserve Fund and used to reimburse Initial Permanent Phase Credit Facility Provider for amounts paid under the Initial Permanent Phase Credit Facility to redeem or otherwise pay principal of or interest on the Bonds.

Alternate Credit Facility

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

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

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

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

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

Tax Compliance

In the Financing Agreement, the Borrower covenants for the benefit of the Issuer, the Bondholders and the Trustee that the proceeds of the Bonds, the earnings thereon and any other moneys on deposit in any fund or account maintained in respect of the Bonds (whether such moneys were derived from the proceeds of the sale of the Bonds or from other sources) will not be used in a manner which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

Events of Default

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

(a) any material representation or warranty made by the Borrower in the Financing Agreement or included by the Borrower in its application to the Issuer for assistance proves at any time to have been incorrect when made in any material respect;

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

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

(d) the occurrence of a default under the Reimbursement Agreement will at the discretion of the Credit Facility Provider constitute an Event of Default under the Financing Agreement. The

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

Remedies on Default

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

(a) The Issuer will cooperate with the Trustee as the Trustee acts pursuant to the provisions Indenture dealing with acceleration and remedies.

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

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

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

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

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

THE CONSTRUCTION PHASE FINANCING AGREEMENT

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

The Initial Construction Phase Credit Facility Provider, Freddie Mac, the Servicer and the Borrower will enter into a Construction Phase Financing Agreement, dated as of May 1, 2009, which governs the rights of such Initial Construction Phase Credit Facility Provider and Freddie Mac during the period from the Delivery Date to the earlier of (i) the Conversion Date and (ii) the Forward Commitment Maturity Date (such period being the "Construction Phase").

Delivery of Credit Enhancement Agreement

The Initial Construction Phase Credit Facility Provider will deliver the Construction Phase Credit Facility to the Trustee in connection with the issuance of the Bonds. Upon satisfaction of the following conditions and those conditions set forth in the Forward Commitment, Freddie Mac will, on the Conversion Date, issue its Initial Permanent Phase Credit Facility in substitution for the Construction Phase Credit Facility:

(a) The Borrower has substantially completed the construction of improvements to the Development (including all amenities, landscaping, signage, parking and the like, except for minor punch list and weather-sensitive items for which sufficient funds have been reserved in a completion/repair fund) in a good and workmanlike manner and in compliance with the terms set forth in the Construction Phase Financing Agreement;

(b) The identities of the Borrower under the Bond Mortgage Loan and the guarantor under the Guaranty to Freddie Mac have not changed (except as specifically permitted in the Construction Phase Financing Agreement) and the Borrower continues to be an eligible borrower under the Guide and there has been no adverse change in the condition, financial or otherwise, of the Borrower except as disclosed to the Initial Permanent Phase Credit Facility Provider in writing.

(c) Certification by the Borrower and the Servicer and proof of physical occupancy of the Development under acceptable leases under Construction Phase Financing Agreement for the preceding 3 months has been at least 90%.

(d) Based upon the formula set forth in the Forward Commitment, the Servicer has determined the Actual Bond Mortgage Loan Amount (as defined in the Forward Commitment) to be effective upon the Conversion Date.

(e) The Borrower has provided evidence to the Initial Permanent Phase Credit Facility Provider that the Borrower will or has received all equity contributions to be delivered to the Borrower as of the Conversion Date.

(f) The Development is eligible and has received an allocation for Low Income Housing Tax Credits as required by the Construction Phase Financing Agreement.

(g) The Servicer has received an as-built survey of the Development and a title insurance commitment insuring the Reimbursement Mortgage.

(h) [Reserved.]

(i) The Initial Permanent Phase Credit Facility Provider has completed all necessary real estate due diligence regarding the Development.

(j) The Initial Permanent Phase Credit Facility Provider has approved all property insurance.

(k) The Initial Permanent Phase Credit Facility Provider has approved the manager of the Development.

(l) No change in applicable law has occurred which would materially adversely affect the transaction to be effected under the Forward Commitment, the Construction Phase Financing Agreement or other Reimbursement Security Documents (as defined in the Initial Permanent Phase Reimbursement Agreement) or the Initial Permanent Phase Credit Facility Provider's ability to deliver the Initial Permanent Phase Credit Facility.

(m) No default will have occurred and be continuing under the Regulatory Agreement.

(n) No event of default will have occurred and no event has occurred the continuation of which would constitute a default under any Reimbursement Security Documents, Bond Financing Document any subordinate loan document or Borrower organizational documents as provided in the Construction Phase Financing Agreement.

(o) No representation of the Borrower or the Servicer is untrue or misleading.

(p) Any special condition to delivery set forth in the Construction Phase Financing Agreement will have been satisfied.

(q) The following documents (each as defined in and attached as an exhibit to the Construction Phase Financing Agreement) dated as of the Conversion Date will have been released from escrow with the Servicer and recorded as applicable: Construction Phase Credit Facility Assignment; Initial Permanent Phase Reimbursement Agreement; the Borrower's Certificate and Agreement; Initial Permanent Phase Pledge Agreement; Replacement Reserve Agreement, the Guaranty; the Amended and Restated Second Multifamily Deed of Trust Assignment of Rents and Security Agreement and Fixture Filing; the Principal Reserve Fund Schedule; any subordination agreement; originals or assignments of Uniform Commercial Code financing statements; and such other agreements, documents, instruments, and/or certificates as the Initial Permanent Phase Credit Facility Provider or the Servicer will reasonably require.

(r) The Borrower has paid all fees required by the Forward Commitment, the Guide and the Construction Phase Financing Agreement.

(s) No material adverse change in the financial condition of the Development or any other feature of the transaction will have occurred from that which existed on the date of the Initial Permanent Phase Credit Facility Provider's receipt of underwriting documentation.

(t) Payment of any gap or bridge financing.

(u) [Reserved.]

(v) The Borrower and the Trustee have agreed to execute an acknowledgement of the Construction Phase Credit Facility Agreement pursuant to which the Initial Construction Phase Credit Facility Provider has assigned all of its rights and interests in the Bond Mortgage Loan Documents (other than indemnification rights) and the Bond Documents, to the Initial Permanent Phase Credit Facility Provider.

(w) The Remarketing Agent under contract to remarket the Bonds, from and after the Conversion Date, must be acceptable to the Initial Permanent Phase Credit Facility Provider, in its sole

and absolute discretion, pursuant to a Remarketing Agreement acceptable to the Initial Permanent Phase Credit Facility Provider, in its sole and absolute discretion.

(x) The Initial Permanent Phase Credit Facility Provider and the Servicer have received a final form of an opinion of counsel to the Borrower in form and substance acceptable to the Initial Permanent Phase Credit Facility Provider and the Servicer.

(y) The Trustee and the Issuer have received a final form of a then current opinion of Bond Counsel to the effect that the substitution of the Initial Permanent Phase Credit Facility for the Initial Construction Phase Credit Facility and the occurrence of Conversion is permitted by the Indenture and will not adversely affect the excludability from gross income, for federal income tax purposes, of the interest payable on the Bonds.

(z) All other requirements of the Issuer, Trustee and the Initial Construction Phase Credit Facility Provider have been satisfied.

(aa) Any guaranty of completion executed by the Borrower and any guarantors named in any guaranty has terminated.

(bb) All other conditions to the Initial Permanent Phase Credit Facility Provider's execution and delivery of the Initial Permanent Phase Credit Facility set forth in the Forward Commitment have been satisfied.

Unless otherwise agreed in writing by the Initial Permanent Phase Credit Facility Provider, the Conversion Date must (i) if occurring during a Variable Period, be on the beginning date of a Variable Interest Accrual Period, (ii) occur following the Stabilization Period (as defined in the Construction Phase Financing Agreement) and (iii) occur on or before the Forward Commitment Maturity Date

If the conditions to conversion set forth in the Construction Phase Financing Agreement are satisfied (or to the extent not satisfied, are waived by the Initial Permanent Phase Credit Facility Provider) on or before the Forward Commitment Maturity Date, the Servicer will issue the Notice of Conversion (as defined in the Construction Phase Financing Agreement) not less than fifteen days before the Conversion Date. Conversion will occur on the Conversion Date, and on such date the Initial Permanent Phase Credit Facility Provider will deliver the Initial Permanent Phase Credit Facility to the Trustee on the Conversion Date, and the documents listed in the Construction Phase Financing Agreement will be executed and delivered. IF THE NOTICE OF CONVERSION IS NOT ISSUED ON OR BEFORE A DATE AT LEAST 15 DAYS PRIOR TO THE FORWARD COMMITMENT MATURITY DATE, NO MATTER THE REASON, CONVERSION WILL NOT OCCUR, THE INITIAL CONSTRUCTION PHASE CREDIT FACILITY PROVIDER WILL HAVE NO OBLIGATION TO DELIVER THE CONSTRUCTION PHASE CREDIT FACILITY ASSIGNMENT, THE INITIAL PERMANENT PHASE CREDIT FACILITY PROVIDER WILL HAVE NO OBLIGATION TO DELIVER THE INITIAL PERMANENT PHASE CREDIT FACILITY TO THE TRUSTEE, THE INITIAL PERMANENT PHASE CREDIT FACILITY PROVIDER WILL HAVE NO OBLIGATION WITH RESPECT TO THE BONDS OR THE BOND MORTGAGE LOAN AND THE CONSTRUCTION PHASE FINANCING AGREEMENT WILL TERMINATE.

The Forward Commitment Maturity Date is December 1, 2011, but is subject to one extension of up to six months by the Initial Permanent Phase Credit Facility Provider upon satisfaction of certain requirements of the Guide. Any permitted extension of the Forward Commitment Maturity Date will correspondingly extend the Conversion Date for the same period that the Forward Commitment Maturity Date is extended.

THE INTERCREDITOR AGREEMENT

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

The Issuer, Trustee, the Initial Permanent Phase Credit Facility Provider and the Initial Construction Phase Credit Facility Provider agree upon their respective rights under the Bond Mortgage and Reimbursement Mortgage arising from an Event of Default under the Bond Documents in the Intercreditor Agreement. Under the terms of the Intercreditor Agreement, the Issuer, the Trustee, the Initial Permanent Phase Credit Facility Provider and the Initial Construction Phase Credit Facility Provider agree, among other things, that, until either (a) the applicable Credit Facility Provider fails to honor a draw properly presented in accordance with the terms of the Credit Facility (a "Wrongful Dishonor") or (b) the applicable Credit Facility terminates in accordance with its terms, and all of the Borrower's obligations than the applicable Reimbursement Agreement have been paid, certain of the rights and remedies of the Issuer and the Trustee, under certain of the Bond Financing Documents, including (without limitation) the rights and remedies of the Bond Mortgagee (as defined in the Bond Mortgage) under the Bond Mortgage may be exercised solely at the direction of the Credit Facility Provider, in its sole discretion, including (without limitation) the right to waive certain terms and conditions of certain of the Bond Documents pertaining to the Borrower.

Notwithstanding anything to the contrary contained in the Financing Agreement and pursuant to the Intercreditor Agreement, as long as the Credit Facility Provider is not in default of its obligations under the Credit Facility, neither the Issuer, the Trustee nor any other person, upon the occurrence of an Event of Default under the Financing Agreement or any event of default under the Bond Mortgage Loan, is to take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Bond Mortgage Loan Documents, except at the direction of the Credit Facility Provider; provided that such prohibition will not be construed to limit the rights of the Issuer or the Trustee to specifically enforce the Regulatory Agreement in order to provide for operation of the Development in accordance with the Code and the Act or to enforce other Reserved Rights; and provided further that such prohibition will not be construed to limit the indemnification rights of the Issuer, the Trustee, the Servicer, the Initial Permanent Phase Credit Facility Provider, the Initial Construction Phase Credit Facility Provider or any other indemnified party to enforce its rights against the Borrower under the Financing Agreement or the Reimbursement Agreement by mandamus or other suit, action or proceeding at law or in equity where such suit, action or proceeding does not seek any remedies under or with respect to the Bond Mortgage Loan including the acceleration thereof or foreclosure of the Bond Mortgage. The Intercreditor Agreement also provides that the Initial Construction Phase Credit Facility Provider will assign all of its rights in the Intercreditor Agreement to the Initial Permanent Phase Credit Facility Provider on the Conversion Date.

THE REGULATORY AGREEMENT

The following is a summary, which does not purport to be complete, of certain of the terms and provisions of the Regulatory Agreement; however, it is not a comprehensive description, and reference is made to the full text of the Regulatory Agreement for a complete recital of its terms.

Tax-Exempt Status of the Bonds

The Borrower will not take any action or omit to take any action which, if taken or omitted, respectively, would adversely affect the excludability of interest on the Bonds from gross income, as defined in Section 61 of the Code, for federal income tax purposes (subject to the inclusion of any

exceptions contained in the opinion delivered upon the original issuance of the Bonds). With the intent not to limit the generality of the foregoing, the Borrower covenants and agrees that prior to the final maturity of the Bonds, unless it has received and filed with the Issuer and Trustee an opinion of Bond Counsel to the effect that failure to comply with any such covenant or agreement, in whole or in part, will not adversely affect the exclusion from gross income for federal income tax purposes of interest paid or payable on the Bonds (other than interest on any Bond for a period during which such Bond is held by a "substantial user" of any facility financed with the proceeds of the Bonds or a "related person," as such terms are used in Section 147(a) of the Code and except as a result of any minimum tax, preference tax or other similar tax):

(a) that the Development will be owned, managed and operated as a "qualified residential rental project" within the meaning of Section 142(d) of the Code, on a continuous basis during the Qualified Project Period, to the end that the interest on the Bonds will be excluded from gross income for federal income tax purposes. In particular, the Borrower has covenanted and agreed, among other things, at all times during the Qualified Project Period, as follows:

(i) that the Development will qualify as residential rental property and will be owned, managed and operated at all times during the Qualified Project Period as a "qualified residential rental project" comprised of residential Units and facilities functionally related and subordinate thereto, in accordance with Section 142(d) of the Code;

(ii) that the Development will consist of one building or structure or several proximate and interrelated buildings or structures, each of which will be a discrete edifice or other man-made construction consisting of an independent foundation, outer walls and a roof, and all of which (A) will be located on a single tract of land or two or more parcels of land that are contiguous (i.e., their boundaries meet at one or more points) except for the interposition of a road, street, stream or similar property, (B) are owned by the same person for federal income tax purposes, and (C) were financed pursuant to a common plan;

(iii) that substantially all of the Development will consist of similarly constructed dwelling units together with functionally related and subordinate facilities for use by Development tenants, such as swimming pools, other recreational facilities, parking areas, heating and cooling equipment, trash disposal equipment, units for resident managers, security personnel or maintenance personnel that are reasonably required for the Development and other facilities that are reasonably required for the Development;

(iv) that each Unit in the Development will contain complete facilities for living, sleeping, eating, cooking and sanitation, e.g., a living area, a sleeping area, bathing and sanitation facilities, and cooking facilities equipped with a cooking range, refrigerator and sink, all of which will be separate and distinct from other Units; provided that a Unit will not fail to meet these requirements merely because it is a single-room occupancy unit (within the meaning of Section 42 of the Code);

(v) that each Unit in the Development will be rented or available for rental on a continuous basis to Eligible Tenants (subject to the limitations contained in the Regulatory Agreement and the Financing Agreement) at all times during the Qualified Project Period (unless occupied by or reserved for a resident manager, security personnel or maintenance personnel pursuant to (iii) above), that the Borrower will not give preference in renting Units to any particular class or group of persons, other than Low-Income Tenants, Persons with Special Needs and other Eligible Tenants as provided in the Regulatory Agreement, and that at no time will any

portion of the Development be exclusively reserved for use by a limited number of nonexempt persons in their trades or businesses;

(vi) that at no time during the Qualified Project Period will any Unit in any building or structure in the Development which contains fewer than five units be occupied by the Borrower;

(vii) that at no time during the Qualified Project Period will any of the Units be utilized on a transient basis by being leased or rented for a period of less than thirty days or by being used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium, nursing home, rest home, trailer park or trailer court; and

(viii) that the land and the facilities will be functionally related and subordinate to the dwelling units comprising the Development and will be of a size and character that is commensurate with the size and number of such Units.

(b) The Borrower has represented, covenanted and agreed, continuously during the Qualified Project Period, that

(i) at least 40% of the Units (except for Units occupied or reserved for a resident manager or security or maintenance personnel that are functionally related and subordinate to the Development and are reasonably required for the Development) (the "Set Aside") within the Development that are available for occupancy will be occupied or held vacant and available for occupancy at all times by Low-Income Tenants. A vacant Unit that was most recently occupied by a Low-Income Tenant is treated as rented and occupied by a Low-Income Tenant until reoccupied, at which time the character of such Unit will be redetermined; and

(ii) the Borrower will obtain income certifications from each Low-Income Tenant and maintain complete and accurate records pertaining to Low-Income Tenants and file and maintain all documents, reports and records required by Section 142(d) of the Code and the Regulatory Agreement, including tenant income certifications.

Housing Development During the State Restrictive Period

The Issuer and the Borrower have recognized and declared their understanding and intent that the Development is to be owned, managed and operated as a "housing development," as such term is defined in Section 2306.004(13) of the Act, and in compliance with applicable restrictions and limitations as provided in the Act and the rules of the Issuer, until the expiration of the State Restrictive Period.

To the same end, the Borrower has represented, covenanted and agreed, among other things, as follows during the State Restrictive Period:

(a) except for Units occupied or reserved for a resident manager and maintenance and security personnel that are reasonably required for the Development, to assure that 100% of the Units are reserved for Low Income Tenants;

(b) to comply with the provisions of Section 2306.269 of the Texas Government Code regarding tenant and manager selection;

(c) to provide regular maintenance to keep the Development sanitary, decent and safe and to comply with the requirements of Section 2306.186 of the Texas Government Code;

(d) to renew any available rental subsidies which are sufficient to maintain the economic viability of the Development, pursuant to Section 2306.185(c) of the Texas Government Code; and

(e) the Borrower will expend at least $4 per unit per month on tenant supportive services listed in an exhibit to the Regulatory Agreement.

Repairs and Maintenance Required by State Law

The Borrower will maintain the Replacement Reserve created by the Replacement Reserve Agreement (as such term is defined in the Regulatory Agreement) or a similar account for the longer of: (a) the period of time required pursuant to the Replacement Reserve Agreement, or (b) the State Reserve Period (as such term is defined in the Regulatory Agreement) as required by Section 2306.186 of the Texas Government Code.

Maximum Allowable Rents

The Owner has represented, covenanted and agreed that in consideration for and as required by the reservation granted under Chapter 1372 of the Texas Government Code, as amended, (a) during the Qualified Project Period, the maximum rent charged for 100% of the Units will not exceed 30% of the income for a family whose income equals 60% of the Median Gross Income for the Area, minus an allowance for utility costs determined by procedures authorized under the federal low-income housing tax credit program, and (b) on the Delivery Date, the Development is located in a census tract in which the median income is higher than the median income for the county, metropolitan statistical area or primary metropolitan statistical area in which the census tract is located.

Persons With Special Needs

The Borrower had represented covenanted and warranted that (a) at least 5 percent of the Units within the Development have been designed to be accessible to Persons with Special Needs and hardware and cabinetry will be stored on site or will be provided to be installed on an as needed basis in such Units, and (b) during the State Restrictive Period, it will use its best efforts (including giving preference to Persons with Special Needs) to: (i) make at least 5 percent of the Units within the Development available for occupancy by Persons with Special Needs, (ii) make reasonable accommodations for such persons and (iii) allow reasonable modifications at the tenant's sole expense (including the cost of removing the modifications and restoring the related Unit at the end of the tenant's occupancy) pursuant to the Housing Act. During the State Restrictive Period, the Borrower will maintain written policies regarding the Borrower's outreach program and marketing program to Persons with Special Needs.

Sale or Transfer of the Development or Change in General Partner

The Borrower has covenanted and agreed not to sell, transfer or otherwise dispose of the Development, prior to the expiration of the Qualified Project Period (other than pursuant to the lease of Units to Eligible Tenants), without (a) complying with any applicable provisions of the Regulatory Agreement, Financing Agreement, the Borrower Tax Certificate (as such term is defined in the Regulatory Agreement) and the other Mortgage Loan Documents and (b) obtaining the prior written consent of the Issuer. Such consent of the Issuer will not be unreasonably withheld and will be given if certain conditions to the sale or other disposition set forth in the Regulatory Agreement are met or waived

in writing by the Issuer. Except as provided in the Regulatory Agreement, the Borrower may not change its general partner by transfer, sale or otherwise without the prior written consent of the Issuer. Notwithstanding the foregoing, the requirements set forth above will not apply to any transfer of limited partnership interests in the Borrower.

Term

The Regulatory Agreement and all and each of the provisions thereof will become effective upon its execution and delivery, will remain in full force and effect for the periods provided in the Regulatory Agreement and, except as otherwise provided in this section, will terminate in its entirety at the end of the State Restrictive Period, it being expressly agreed and understood that the provisions of the Regulatory Agreement are intended to survive the retirement of the Bonds, discharge of the Bond Mortgage Loan, termination of the Financing Agreement and defeasance or termination of the Indenture; provided, however, that the provisions related to the Qualified Project Period that are not incorporated into the State Restrictive Period will terminate in their entirety at the end of the Qualified Project Period.

The terms of the Regulatory Agreement to the contrary notwithstanding, the requirements set forth in the Regulatory Agreement will terminate, without the requirement of any consent by the Issuer or the Trustee, and be of no further force and effect in the event of involuntary noncompliance with the provisions of the Regulatory Agreement caused by fire, seizure, requisition, change in a federal or Texas law or an action of a federal agency after the Closing Date which prevents the Issuer or the Trustee from enforcing the provisions of the Regulatory Agreement, or foreclosure or transfer of title by deed in lieu of foreclosure or other similar involuntary transfer, condemnation or a similar event, but only if, within a reasonable period thereafter, either the Bonds are retired in full or amounts received as a consequence of such event are used to provide a qualified residential rental project which meets the requirements of the Code and Texas law, including, but not limited to, the provisions set forth in the Regulatory Agreement. The provisions of the preceding sentence will cease to apply and the requirements referred to therein will be reinstated if, at any time during the Qualified Project Period, after the termination of such requirements as a result of involuntary noncompliance due to foreclosure, transfer of title by deed in lieu of foreclosure or similar event, the Borrower or any Related Person obtains an ownership interest in the Development for federal income tax purposes or for the purposes of Texas law.

Default; Enforcement by the Trustee and the Issuer

If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in the Regulatory Agreement, and if such default remains uncured for a period of 60 days after written notice thereof will have been given by the Issuer or the Trustee to the Borrower and the Investor Limited Partner, then the Trustee, acting on behalf of the Issuer, will declare an "Event of Default" to have occurred under the Regulatory Agreement; provided, however, that, if the default stated in the notice is of such a nature that it cannot be corrected within 60 days, such default will not constitute an Event of Default under the Regulatory Agreement and will not be declared an Event of Default so long as (a) the Borrower or Investor Limited Partner institutes corrective action within said 60 days and diligently pursues such action until the default is corrected and (b) in the opinion of Bond Counsel, the failure to cure said default within 60 days will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

Following the declaration of an Event of Default under the Regulatory Agreement, the Trustee or the Issuer, may, at its option, take any one or more of the following steps:

(a) 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 Regulatory Agreement or enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer or the Trustee under the Regulatory Agreement;

(b) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Development during regular business hours following reasonable notice; and

(c) 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 Regulatory Agreement.

All rights and remedies in the Regulatory Agreement given or granted are cumulative, nonexclusive and in addition to any and all rights and remedies that the parties may have or may be given by reason of any law, statute, ordinance, document or otherwise. Notwithstanding the availability of the remedy of specific performance provided for in this Section, promptly upon determining that a violation of the Regulatory Agreement has occurred, the Issuer will, to the extent that it has actual knowledge thereof, by notice in writing, use its reasonable efforts to inform the Trustee, the Credit Facility Provider, the Construction Phase Credit Facility Provider and the Borrower (provided that the failure to notify will not adversely affect the Issuer's or the Trustee's rights under the Regulatory Agreement) that a violation of the Regulatory Agreement has occurred.

Enforcement of Certain Provisions
by Tenants and Other Private Parties

Following the declaration of an Event of Default under the Regulatory Agreement with respect to the provisions under subsections (b) and (c) of "Housing Development During the State Restrictive Period" above only, a tenant of the Development or any private party may, at its option by mandamus or other suit, including injunctive relief, require the Borrower to perform its obligations and covenants under the provisions under subsections (b) and (c) of "Housing Development During the State Restrictive Period."

If the Issuer, a tenant of the Development, or any private party brings an action to enforce the obligations and covenants of the Borrower under the provisions under subsections (b) and (c) of "Housing Development During the State Restrictive Period," such party will have the right to recover reasonable attorney's fees directly from the Borrower, without recourse to the Development, if such party is successful in an action seeking enforcement of such obligations and covenants of the Borrower under the Regulatory Agreement. This is the only monetary relief a tenant of the Development or other private parties may receive under the Regulatory Agreement and any such recovery is subject to the provisions set forth under "Default; Enforcement by the Trustee and the Issuer" above and the Freddie Mac Rider, if and when applicable.

Amendments

Subject to the provisions of the Regulatory Agreement, the Regulatory Agreement will be amended only by a written instrument executed by the parties thereto and the Initial Permanent Phase Credit Facility Provider, or their successors in title, and duly recorded in the real property records of Galveston County, Texas, and only upon receipt by the Issuer of a Favorable Opinion of Bond Counsel and is not contrary to the provisions of the Act.

Freddie Mac Rider

Applicability. The provisions of the Freddie Mac Rider amend and supplement the provisions of, and in the event of a conflict will supersede the conflicting provisions of, the Regulatory Agreement.

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

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

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

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

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

APPENDIX C

FORM OF INITIAL CONSTRUCTION PHASE CREDIT FACILITY

BANK OF AMERICA, N.A. - CONFIDENTIAL

IRREVOCABLE DIRECT PAY LETTER OF CREDIT

BANK OF AMERICA, N.A.
1000 W. TEMPLE STREET, 7TH FLOOR
CA9-705-07-05
LOS ANGELES, CA 90012-1514

Letter of Credit No.	Issue Date	Stated Expiration Date	Maximum Amount
3099517	May 28, 2009	February 1, 2012	$13,847,529

Wells Fargo Bank, National Association as Trustee
MAC T5017-241
1021 Main Street, Suite 2403
Houston, Texas 77002
Attention: Corporate Trust

Ladies and Gentlemen:

At the request and for the account of our customer, Costa Mariposa, Ltd., a Texas limited partnership (the "Borrower"), Bank of America, N.A. ("we" or the "Bank") hereby establishes in your favor this Irrevocable Direct Pay Letter of Credit (this "Letter of Credit"). This Letter of Credit is issued to you as Trustee under that certain Trust Indenture dated as of May 1, 2009, (the "Indenture"), between you and the Texas Department of Housing and Community Affairs, a public and official agency of the State of Texas ("Issuer"), securing the Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Mariposa Apartments), Series 2009 in the aggregate principal amount of $13,690,000 (the "Bonds"). Subject to the terms and conditions herein, this Letter of Credit authorizes you to draw on us in the amount not exceeding $13,847,529 as the same may from time to time be reduced and thereafter reinstated as hereinafter provided (the "Stated Amount"), consisting of (i) the amount of $13,690,000 (as reduced and thereafter reinstated from time to time as hereinafter provided, the "Principal Component"), which may be drawn upon with respect to payment of the unpaid principal amount of, or portion thereof, the purchase price corresponding to the principal of, the Bonds (as hereinafter defined), as certified to us, and (ii) the amount of $157,529 (as reduced and thereafter reinstated from time to time as hereinafter provided, the "Interest Component"), which may be drawn upon with respect to the payment of up to 35 days' accrued interest on the Bonds or portion of the purchase price representing accrued interest on the Bonds, in each case assuming a maximum interest rate of 12% per annum and computed on the basis of the actual number of days elapsed over a year of 365 days (the "Maximum Rate"). This Letter of Credit is effective immediately and expires on the expiration date described below.

Subject to the other provisions of this Letter of Credit, you or your transferee may obtain the funds available under this Letter of Credit by presentment to us of your sight draft or drafts drawn on Bank of America, N.A., Los Angeles, California. Each draft presented to us must be accompanied by your certification substantially in the form of one or more of the Annexes described below, as may be applicable to the type of drawing you are making (each such demand and presentation, a "Drawing"). You must comply with all of the instructions in brackets in preparing each such certification.

1. Annex A (Periodic Interest Demand With Reinstatement Request). If you are demanding funds with respect to a scheduled payment of interest on the Bonds in accordance with the Indenture, and such amount is to be reinstated immediately upon the honoring of the drawing, your draft or drafts should be accompanied by your Annex A certification (an "Interest Drawing"). You may not make an Interest Drawing more frequently than once per calendar month.

2. Annex B (Principal and Interest Demand Without Reinstatement Request). If you are demanding funds with respect to the payment of principal of and interest on the Bonds in connection with a mandatory or optional partial redemption (or purchase of less than all of the Bonds in lieu of redemption) in accordance with the Indenture, which amount is not to be reinstated following the Drawing, your draft or drafts must be accompanied by your Annex B certification (a "Partial Redemption Drawing").

3. Annex C (Principal and Interest Demand with Principal Reinstatement for Tendered Bonds, as hereinafter defined). If you are demanding funds with respect to the payment of principal and interest on the Bonds in connection with a purchase of the Bonds in accordance with Section 10.01 or Section 10.02 of the Indenture (a "Liquidity Drawing"), your draft or drafts should be accompanied by your Annex C certification.

4. Annex D (Final Drawing). If you are demanding funds with respect to the payment of principal and interest on the Bonds in connection with redemption of all of the Bonds, a purchase of all outstanding Bonds in lieu of redemption, acceleration of all of the Bonds, defeasance of all of the Bonds or the maturity of all of the Bond, such draft must be accompanied by your Annex D certification (a "Final Drawing"). Only one draft accompanied by an Annex D certification may be presented for payment against this Letter of Credit; upon any such presentation, no further draft may be drawn and presented hereunder.

The amount drawn in any Interest Drawing, and the amount drawn in respect of payment of interest on the Bonds in any Partial Redemption Drawing, Liquidity Drawing or Final Drawing, shall not exceed, in the aggregate, $157,529.

In each case other than a Liquidity Drawing where we have received a draft as described above, your remittance instructions and one or more of the certificates described above prior to 10:00 a.m., Los Angeles time (hereinafter referred to as "Local Time"), on a Business Day (as defined below), we will make payment by 10:30 a.m., Local Time, on the following Business Day. If we receive such items after 10:00 a.m., Local Time, on a Business Day, we will make payment by 10:00 a.m., Local Time, on the second Business Day thereafter. In the case of a Liquidity Drawing, where we have received a draft as described above, your remittance instructions and the Annex C certification prior to 9:00 a.m., Local Time, on a Business Day, we will make payment by 11:30 a.m., Local Time, on the same Business Day. If we receive such items after 9:00 a.m., Local Time, on a Business Day, we will make payment by 11:30 a.m., Local Time, on the next Business Day thereafter.

Demands for payment hereunder honored by the Bank shall not, in the aggregate, exceed the Stated Amount, as the Stated Amount may have been reinstated by us as provided herein. Subject to the preceding sentence, each Drawing honored by the Bank hereunder shall pro tanto reduce the Stated Amount hereof, it being understood that after the effectiveness of any such reduction you shall no longer have any right to make a Drawing hereunder in respect of the amount of such principal and/or interest on the Bonds causing or corresponding to such reduction.

Upon receipt by the Bank of a certificate substantially in the form of Annex G attached hereto from you, the principal and/or interest components of the Stated Amount shall be automatically reinstated in the amounts shown on such Annex G which have been paid to the Bank.

On the date of payment by the Bank on each Interest Drawing presented in full compliance with the terms and conditions of this Letter of Credit, the Stated Amount of this Letter of Credit shall automatically and immediately be reinstated by an amount equal to the amount of that Interest Drawing after such reinstatement, the Stated Amount of this Letter of Credit shall be the same as it was immediately prior to such Drawing.

Drafts honored by us under this Letter of Credit shall not exceed the Stated Amount available to you under this Letter of Credit, as such amount may vary from time to time. Each draft honored by us will reduce the Stated Amount available under this Letter of Credit. However, in the case of a draft or drafts accompanied by your certification substantially in the form of Annex A and presented in full compliance with the terms and conditions of this Letter of Credit, the Stated Amount of this Letter of Credit shall, on the date each draft is honored by us, automatically be reinstated by us, by an amount equal to the amount of that Drawing; after such reinstatement, the Stated Amount of this Letter of Credit shall be the same as it was immediately prior to such Drawing.

Notwithstanding anything contained herein to the contrary, this Letter of Credit shall not apply to the payment of principal and interest payable with respect to any Bonds which are held in the name of the Borrower or held by you for the account of the Borrower or to the payment of principal with respect to any Bonds which are held in the name of the Bank as Bank Bonds.

Each draft presented for payment against this Letter of Credit and each accompanying certification must be dated the date of its presentation to us, and may be presented only on a Business Day. As used in this Letter of Credit, "Business Day" shall mean any day other than (a) a Saturday or Sunday or (b) a day on which the "Payment Office of the Bank" (hereinafter defined) is lawfully closed. Drafts must be marked conspicuously "Drawn under Bank of America, N.A. Irrevocable Direct Pay Letter of Credit No. 3099517." The certifications you are required to submit to us along with your draft or drafts should be prepared either (i) in the form of a letter on your letterhead signed by your officer or (ii) in the form of a facsimile copy of such a letter sent by one of your officers to: (213) 457-8841 with telephone confirmation to (213) 240-6986, provided, however that the absence of such confirmation shall not affect our obligation to honor any drawing, or to such other number as we may from time to time specify to you in writing.

Other than the foregoing provisions for communication by facsimile copy, communications with respect to this Letter of Credit shall be in writing and shall be addressed to us at Bank of America, N.A., Trade Operations Center, Mail Code CA9-705-07-05, 1000 W. Temple Street, 7TH Floor, Los Angeles, California 90012-1514, Attn: Standby Letter of Credit Department, (the "Payment Office of the Bank"), specifically referring to the number of this Letter of Credit (or to such other person or address as we may from to time specify to you in writing). Any notice to you hereunder may be given by mailing such notice to you at the address set forth on the first page hereof.

If a demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice that the purported demand was not effected in accordance with this Letter of Credit, stating the reasons therefor and that we are holding any documents at your disposal or are returning them to you, as we may elect. Upon being notified that the purported demand was not effected in conformity with this Letter of Credit, you may attempt to correct any such nonconforming demand for payment if, and to the extent that, you as Trustee are entitled (without regard to the provisions of this sentence) and able to do so.

By paying you an amount demanded in accordance with this Letter of Credit, we make no representation as to the correctness of the amount demanded or your calculations and representations on the certificates required of you by this Letter of Credit.

This Letter of Credit shall expire on the earliest of (i) [February 1, 2012], (ii) when any draft accompanied by your certification substantially in the form of Annex D to this Letter of Credit is honored and paid by us, or (iii) the day on which this Letter of Credit is surrendered by the Trustee to the Bank, accompanied by a certificate substantially in the form of Annex F to this Letter of Credit.

Payments of Drawings under this Letter of Credit shall be made from immediately available funds of the Bank and not from any moneys provided to the Bank by the Borrower, the Issuer or any party related to the Borrower or the Issuer.

This Letter of Credit shall be governed by and construed in accordance with the International Standby Practices 1998, Publication No. 590 ("ISP98"), and to the extent not inconsistent with the ISP98, governed by the laws of the State of Texas.

This Letter of Credit is transferable. Transfer may be made to any person or entity whom you or any transferee hereunder designate as a successor trustee under the Indenture. Transfer of the available Drawing under this Letter of Credit to such transferee shall be effected by the presentation to us of this Letter of Credit accompanied by a request designating your successor in the form of Annex E (Transfer Demand) attached hereto, with the signature of the appropriate officer signing on your behalf authenticated by another one of your officers and payment to us by or on behalf of the Borrower of a one thousand dollar ($1,000) transfer fee. Upon presentation and payment we shall forthwith effect a transfer of this Letter of Credit to your designated transferee.

This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Bonds), except only the Annexes and drafts referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such Annexes and drafts.

Very truly yours,

BANK OF AMERICA, N.A.

By:_____
Name: _____

Title: _____

Annex A
(Periodic Interest Demand with Reinstatement Request)

Bank of America, N.A.

Irrevocable Letter of Credit No. 3099517

Bank of America, N.A.
Trade Operations Center
1000 West Temple Street, 7th Floor
Mail Code: CA9-705-07-05
Los Angeles, Ca. 90012
Attn: Standby Letter of Credit
Department

Re: Drawing for Interest Due on Scheduled Interest Payment Date

Ladies and Gentlemen:

We refer to your Letter of Credit No. 3099517 (the "Letter of Credit"). Any term which is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of _____ [Insert name of Trustee] (the "Trustee" or "we"), hereby certifies to you that:

1. Under the Trust Indenture dated as of May 1, 2009, (the "Indenture"), between the Texas Department of Housing and Community Affairs and us, we are the Trustee or a successor Trustee for the holders of the Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Mariposa Apartments), Series 2009 in the aggregate principal amount of $13,690,000 (the "Bonds"), issued by the Texas Department of Housing and Community Affairs.

2. We hereby make demand under the Letter of Credit, by our presentment of the sight draft accompanying this Certificate, for payment of $_____ representing accrued and unpaid interest on the Bonds with respect to a scheduled interest payment on an Interest Payment Date pursuant to the Indenture.

3. The amount of the draft accompanying this Certificate does not exceed the amount available on the date hereof to be drawn under the Letter of Credit in respect of interest accrued on the Bonds. This amount was computed in accordance with the terms and conditions of the Bonds and the Indenture. The date specified in Paragraph 4 below is not earlier than the date upon which the payment hereby demanded is required to be made under the terms and conditions of the Bonds and the Indenture. The Letter of Credit has not terminated prior to the time of the delivery of this Certificate and the accompanying draft.

4. We request that the payment hereby demanded be made no later than 10:00 a.m., Los Angeles time ("Local Time"), on _____ [if this certificate and an accompanying draft are delivered at or before 10:00 a.m., Local Time, then insert a date which is the next Business Day; if this certificate and an accompanying draft are delivered after 10:00 a.m., Local Time, insert a date which is a Business Day and is no earlier than the second succeeding Business Day following the date those

documents are delivered]. Unless otherwise agreed to in a writing signed by you and us, please [deposit/wire transfer] the amount hereby demanded to our account number _____ [insert account number] with _____ _____ [insert name and address of banking institution to receive funds].

5. Please reinstate the Letter of Credit by the amount specified in Paragraph 2 of this Certificate in accordance with the terms set forth in the Letter of Credit; following such reinstatement, the Stated Amount shall be the same as it was immediately prior to this Drawing.

6. The amount demanded hereby is not being drawn and will not be applied in respect of any Bonds currently registered in the name of or held by the Trustee for the account of the Bank or held of record or, to the knowledge of the Trustee, beneficially by the Borrower or by the Trustee, Tender Agent, Issuer or any other person for the account of the Borrower.

IN WITNESS WHEREOF, we have executed and delivered this Certificate as Trustee as of the ____ day of _____, ____.

Very truly yours,

[Insert Name of Trustee],
as Trustee

By:_____
Name:_____
Title:_____

Annex B
(Principal and Interest Demand Without Reinstatement Request;
Partial Redemption or Purchase in Lieu Thereof)

Bank of America, N.A.

Irrevocable Letter of Credit No. 3099517

Bank of America, N.A.
Trade Operations Center
1000 West Temple Street, 7th Floor
Mail Code: CA9-705-07-05
Los Angeles, Ca. 90012
Attn: Standby Letter of Credit
Department

Re: Drawing for Partial Redemption of the Bonds

Ladies and Gentlemen:

We refer to your Letter of Credit No. 3099517 ("Letter of Credit"). Any term which is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of _____ [insert name of Trustee] (the "Trustee" or "we"), hereby certifies to you that:

1. Under the Trust Indenture dated as of May 1, 2009, (the "Indenture"), between the Texas Department of Housing and Community Affairs and us, we are the Trustee or a successor Trustee for the holders of the Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Mariposa Apartments), Series 2009 in the aggregate principal amount of $13,690,000 (the "Bonds"), issued by the Texas Department of Housing and Community Affairs.

2. We hereby make demand under the Letter of Credit, by our presentment of the sight draft accompanying this Certificate for payment of $_____ of which $_____ shall be with respect to the principal of the Bonds, and $_____ of which represents accrued and unpaid interest on such principal of the Bonds, either by virtue of a mandatory or optional partial redemption or purchase of less than all of the Bonds in lieu of redemption, pursuant to the Indenture.

3. The amount of the draft with respect to principal of the Bonds accompanying this Certificate does not exceed the unpaid principal amount of the Bonds or the Principal Component available under the Letter of Credit and the amount of the draft with respect to accrued and unpaid interest on such principal of the Bonds accompanying this Certificate does not exceed the amount available on the date hereof to be drawn under the Letter of Credit in respect of interest accrued on the Bonds. Such amounts were computed in accordance with the terms and conditions of the Bonds and the Indenture. The date specified in Paragraph 4 below is not earlier than the date upon which the payment hereby demanded is required to be made under the terms and conditions of the Bonds and the Indenture. The Letter of Credit has not terminated prior to the time of the delivery of this Certificate and the accompanying draft.

4. We request that the payment hereby demanded be made no later than 10:30 a.m., Los Angeles time ("Local Time"), on _____ [if this certificate and an accompanying draft are delivered at or before 10:00 a.m., Local Time, insert a date which is the next Business Day; if this certificate and an accompanying draft are delivered after 10:00 a.m., Local Time, insert a date which is a Business Day and is no earlier than the second succeeding Business Day following the date those documents are delivered]. Unless otherwise agreed to in a writing signed by you and us, please [deposit/wire transfer] the amount hereby demanded to our account number _____ [insert account number] with _____ [insert name and address of banking institution to receive funds].

5. Upon application of the amount with respect to principal of the Bonds set forth in Paragraph 2 of this Certificate, there shall be outstanding $_____ in principal amount of the Bonds and the Stated Amount of the Letter of Credit shall be $_____.

6. The amount demanded hereby is not being drawn and will not be applied in respect of any Bonds currently registered in the name of or held by the Trustee for the account of the Bank or held of record or, to the knowledge of the Trustee, beneficially by the Borrower or by the Trustee, Tender Agent, Issuer or any other person for the account of the Borrower.

IN WITNESS WHEREOF, we have executed and delivered this Certificate as Trustee as of the _____ day of _____, ____.

Very truly yours,

[Insert Name of Trustee],
as Trustee

By:_____
Name:_____
Title:_____

Annex C
(Principal and Interest Demand for Tendered Bonds)

Bank of America, N.A.

Irrevocable Letter of Credit No. 3099517

Bank of America, N.A.
Trade Operations Center
1000 West Temple Street, 7th Floor
Mail Code: CA9-705-07-05
Los Angeles, Ca. 90012
Attn: Standby Letter of Credit
Department

Re: Drawing for Purchase of Bonds

Ladies and Gentlemen:

We refer to your Letter of Credit No. 3099517 (the "Letter of Credit"). Any term which is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of _____ [Insert name of Trustee] (the "Trustee" or "we"), hereby certifies to you that:

1. Under the Trust Indenture dated as of May 1, 2009, (the "Indenture"), between the Texas Department of Housing and Community Affairs and us, we are the Trustee or a successor Trustee for the holders of the Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Mariposa Apartments), Series 2009 in the aggregate principal amount of $13,690,000 (the "Bonds"), issued by the Texas Department of Housing and Community Affairs.

2. We hereby make demand under the Letter of Credit for payment of $_____, of which $_____ shall be with respect to the principal of certain of the Bonds, and $_____ shall be with respect to interest to be paid on the Bonds, which total amount is due with respect to the payment of all or a portion of the purchase price of Bonds tendered or deemed tendered by the bondholders ("Tendered Bonds") pursuant to Section 10.01 or Section 10.02 of the Indenture.

3. The amount of the draft accompanying this Certificate does not exceed the amount necessary to pay the purchase price of the Tendered Bonds and is not in excess of an amount equal to the sum of the unpaid principal amount of such Tendered Bonds and thirty-five (35) days' accrued and unpaid interest owing on such Tendered Bonds on the date thereof, less the amount, if any, held by the Beneficiary or the Tender Agent to purchase said obligations, and less the amount, if any, of an "Interest Draw" and a "Principal Draw" upon the Letter of Credit relating to such Tendered Bonds made prior to or contemporaneously herewith and was computed in accordance with the terms and conditions of the Bonds and the Indenture. The date specified in Paragraph 4 below is not earlier than the date upon which the payment hereby demanded is required to be made under the terms and conditions of the Bonds and the

Indenture. The Letter of Credit has not terminated prior to the time of the delivery of this Certificate and the accompanying draft.

4. We request that the payment hereby demanded be made no later than 11:30 a.m., Los Angeles time ("Local Time"), on _____ [if this certificate and an accompanying draft are delivered at or before 9:00 a.m., Local Time, then insert a date which is the same Business Day following the date those documents are delivered; if this certificate and an accompanying draft are delivered after 9:00 a.m. Local Time, then insert a date which is the next Business Day following the date those documents are delivered]. Unless otherwise agreed to in a writing signed by you and us, please [deposit/wire transfer] the amount hereby demanded to our account number _____ [insert account number] with _____ [insert name and address of banking institution to receive funds].

5. The amount demanded hereby is not being drawn and will not be applied in respect of any Bonds currently registered in the name of or held by the Trustee for the account of the Bank or held of record or, to the knowledge of the Trustee, beneficially by the Borrower or by the Trustee, Tender Agent, Issuer or any other person for the account of the Borrower.

IN WITNESS WHEREOF, we have executed and delivered this Certificate as Trustee as of the _____ day of _____, ___.

Very truly yours,

[Insert Name of Trustee],
as Trustee

By:_____
Name:_____
Title:_____

Annex D
(Final Drawing)

Bank of America, N.A.

Irrevocable Letter of Credit No. 3099517

Bank of America, N.A.
Trade Operations Center
1000 West Temple Street, 7th Floor
Mail Code: CA9-705-07-05
Los Angeles, Ca. 90012
Attn: Standby Letter of Credit
Department

Re: Final Drawing and Termination

Ladies and Gentlemen:

We refer to your Letter of Credit No. 3099517 (the "Letter of Credit"). Any term which is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of _____ [Insert name of Trustee] (the "Trustee" or "we"), hereby certifies to you that:

1. Under the Trust Indenture dated as of May 1, 2009, (the "Indenture"), between the Texas Department of Housing and Community Affairs and us, we are the Trustee or a successor Trustee for the holders of the Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Mariposa Apartments), Series 2009 in the aggregate principal amount of $13,690,000 (the "Bonds"), issued by the Texas Department of Housing and Community Affairs.

2. We hereby make demand for payment of $_____ of which $_____ shall be with respect to the principal of the Bonds, and $_____ shall be with respect to interest, if any, on the Bonds.

3. This Drawing is being made as a result of the maturity, full acceleration, or redemption of all outstanding Bonds or a purchase of all outstanding Bonds in lieu of redemption in accordance with the terms and conditions of the Bonds and the Indenture.

4. The amount of the draft accompanying this Certificate does not exceed the amount available on the date hereof to be drawn under the Letter of Credit. This amount was computed in accordance with the terms and conditions of the Bonds and the Indenture. The date specified in Paragraph 5 below is not earlier than the date upon which the payment hereby demanded is required to be made under the terms and conditions of the Bonds and the Indenture. The Letter of Credit has not terminated prior to the delivery of this Certificate and the accompanying draft.

5. The sight draft accompanying this Certificate constitutes the final Drawing under the Letter of Credit and upon payment of such draft, the Letter of Credit is canceled. We request that the payment hereby demanded be made no later than 10:00 a.m., Los Angeles time ("Local Time"), on _____ [if this certificate and an accompanying draft are delivered at or before

10:00 a.m., Local Time, insert a date which is a Business Day and which is the next Business Day; if this certificate and an accompanying draft are delivered after 10:00 a.m., Local Time, insert a date which is a Business Day and is no earlier than the second succeeding Business Day following the date these documents are delivered]. Please [deposit/wire transfer] the amount hereby demanded to our account number _____ [insert account number] with _____ [insert name and address of banking institution to receive funds].

6. The amount demanded hereby is not being drawn and will not be applied in respect of any Bonds currently registered in the name of or held by the Trustee for the account of the Bank or held of record or, to the knowledge of the Trustee, beneficially by the Borrower or by the Trustee, Tender Agent, Issuer or any other person for the account of the Borrower.

IN WITNESS WHEREOF, we have executed and delivered this Certificate as Trustee as of the _____ day of _____, ____.

Very truly yours,

[Insert Name of Trustee],
as Trustee

By:_____
Name:_____
Title: _____

Annex E
(Transfer Demand)

Bank of America, N.A.
Irrevocable Letter of Credit No. 3099517

Bank of America, N.A.
Trade Operations Center
1000 West Temple Street, 7th Floor
Mail Code: CA9-705-07-05
Los Angeles, Ca. 90012
Attn: Standby Letter of Credit
Department

Re: Instruction to Transfer Letter of Credit No. 3099517

Ladies and Gentlemen:

For value received, the undersigned beneficiary (the "Transferor") hereby irrevocably transfers to:

(Name of Transferee and Address)

(the "Transferee") all rights of the Transferor with respect to the above-referenced Letter of Credit, including the right to draw under said Letter of Credit in the amount of the full unutilized balance thereof. Said Transferee has succeeded the Transferor as Trustee under that certain Trust Indenture dated as of May 1, 2009, between the Texas Department of Housing and Community Affairs and Wells Fargo Bank, National Association, as Trustee (the "Indenture") with respect to the $13,690,000 Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Mariposa Apartments), Series 2009 (the "Bonds"), issued by the Texas Department of Housing and Community Affairs.

By virtue of this transfer, the Transferee shall have the sole rights as beneficiary of said Letter of Credit, including sole rights relating to any past or future amendments thereof, whether increases or extensions or otherwise. All amendments are to be advised directly to the Transferee without necessity of any consent of or notice to the Transferor.

By its signature below, the Transferee acknowledges that it has duly succeeded the Transferor as Trustee under the Indenture, and agrees to be bound by the terms of the Indenture as if it were the original Trustee thereunder.

The Letter of Credit is returned herewith, and we ask you to endorse the transfer on the reverse thereof and to forward it directly to the Transferee with your customary notice of transfer. Also, please find enclosed our payment of One Thousand Dollars ($1,000) paid by the Borrower as a transfer fee in accordance with the Letter of Credit.

Very truly yours,

[Insert Name of Trustee],
as Trustee

By:_____
[Insert name and title of authorized officer]

SIGNATURE OF THE ABOVE OFFICER, DULY AUTHORIZED TO ACT ON BEHALF OF [insert name of Trustee], AUTHENTICATED BY:

By:_____
Name:_____
Title:_____

Acknowledged by
[insert name of Transferee]
as Transferee and successor Trustee

By: _____
Name: _____
Title: _____

Annex F
(Surrender Certificate)

Bank of America, N.A.

Irrevocable Letter of Credit No. 3099517

Bank of America, N.A.
Trade Operations Center
1000 West Temple Street, 7th Floor
Mail Code: CA9-705-07-05
Los Angeles, Ca. 90012
Attn: Standby Letter of Credit
Department

Ladies and Gentlemen:

We refer to your Letter of Credit No. 3099517 (the "Letter of Credit"). Any term which is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of _____ [insert name of Trustee] (the "Trustee" of "we"), hereby certifies to you that:

1. Under the Trust Indenture dated as of May 1, 2009, (the "Indenture"), between the Texas Department of Housing and Community Affairs and us, we are the Trustee or a successor Trustee for the holders of the Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Mariposa Apartments), Series 2009 in the aggregate principal amount of $13,690,000 (the "Bonds"), issued by the Texas Department of Housing and Community Affairs.

2. We hereby surrender the attached Letter of Credit to you.

3. The Letter of Credit is hereby terminated in accordance with its terms.

4. No payment is demanded of you in connection with this surrender of the Letter of Credit.

IN WITNESS WHEREOF, we have executed and delivered this certificate as Trustee as of the ____ day of _____, ____.

Very truly yours,

[Insert Name of Trustee],
as Trustee

By:_____
Name:_____
Title:_____

Annex G
(Trustee Certificate)

Bank of America, N.A.

Irrevocable Letter of Credit No. 3099517

Bank of America, N.A.
Trade Operations Center
1000 West Temple Street, 7th Floor
Mail Code: CA9-705-07-05
Los Angeles, Ca. 90012
Attn: Standby Letter of Credit
Department

Re: Irrevocable Letter of Credit No. 3099517

Ladies and Gentlemen:

The undersigned, a duly authorized officer of _____ [insert name of Trustee] (the "Trustee"), hereby notifies Bank of America, N.A. (the "Bank"), with reference to Letter of Credit No. 3099517 (the "Letter of Credit"; terms defined therein and not otherwise defined herein shall have the meanings set forth in the Letter of Credit) issued by the Bank in favor of the Trustee as follows:

(1) _____ ("Remarketing Agent") is the Remarketing Agent under the Trust Indenture dated as of May 1, 2009, (the "Indenture"), between the Texas Department of Housing and Community Affairs and us, we are the Trustee or a successor Trustee for the holders of the Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Mariposa Apartments), Series 2009 in the aggregate principal amount of $13,690,000 (the "Bonds"), issued by the Texas Department of Housing and Community Affairs.

(2) The Trustee has been advised by Costa Mariposa, Ltd., a Texas limited partnership (the "Borrower") or the Remarketing Agent that the amount of $_____ paid to the Bank today by the Borrower or the Remarketing Agent on behalf of the Borrower is a payment made to reimburse the Bank, pursuant to the Reimbursement Agreement dated as of May 1, 2009 (the "Reimbursement Agreement"), between the Borrower and the Bank, for amounts drawn under the Letter of Credit pursuant to a Liquidity Drawing.

(3) Of the amount referred to in Paragraph 2, $_____ represents the aggregate principal amount of Bank Bonds resold or to be resold on behalf of the Borrower.

(4) Of the amount referred to in Paragraph 2, $_____ represents accrued and unpaid interest on such Bank Bonds.

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

[Insert Name of Trustee],
As Trustee

By:_____
Name: _____
Title:_____

APPENDIX D

FORM OF INITIAL PERMANENT PHASE CREDIT FACILITY

Freddie Mac Loan No.: 534375502

CREDIT ENHANCEMENT AGREEMENT

between

FEDERAL HOME LOAN MORTGAGE CORPORATION

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,

as Trustee

Relating to a
Bond Mortgage Loan
Securing

$13,690,000
Texas Department of Housing and Community Affairs
Variable Rate Demand Multifamily Housing Revenue Bonds
(Costa Mariposa Apartments)
Series 2009

Dated as of [ ]

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CREDIT ENHANCEMENT AGREEMENT

THIS CREDIT ENHANCEMENT AGREEMENT (this "Agreement") made and entered into as of [ ], by and between the **FEDERAL HOME LOAN MORTGAGE CORPORATION** ("Freddie Mac"), a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States, and **WELLS FARGO BANK, NATIONAL ASSOCIATION** (the "Trustee"), a national banking association, duly organized and existing under the laws of the United States, in its capacity as Trustee under a Trust Indenture dated as of May 1, 2009 (the "Indenture"), between the **TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS** (the "Issuer") and the Trustee.

W I T N E S S E T H:

WHEREAS, pursuant to the Indenture, the Issuer has issued its Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Mariposa Apartments) Series 2009 (the "Bonds") in the original principal amount of $13,690,000, of which $_____ is currently outstanding; and

WHEREAS, pursuant to a Financing Agreement dated as of May 1, 2009 (the "Financing Agreement") among the Issuer, the Trustee and Costa Mariposa, Ltd., a Texas limited partnership (the "Borrower"), the Issuer used the proceeds of the sale of Bonds to make a mortgage loan (the "Bond Mortgage Loan") to the Borrower to finance the Project described therein; and

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

WHEREAS, the Borrower's repayment obligations in respect of the Bond Mortgage Loan are evidenced by a Bond Mortgage Note dated as of May 1, 2009 (together with all riders and addenda thereto, the "Bond Mortgage Note") from the Borrower to the Issuer, as such has been assigned by the Issuer to the Trustee; and

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

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

WHEREAS, to evidence the Borrower's reimbursement obligations to Freddie Mac for draws made hereunder, the Borrower and Freddie Mac are entering into a Reimbursement and Security Agreement contemporaneously with the execution and delivery hereof (the "Reimbursement Agreement"); and

WHEREAS, to secure the Borrower's reimbursement obligations to Freddie Mac under the Reimbursement Agreement, the Construction Phase Credit Facility Provider has assigned to Freddie Mac a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing which Borrower has previously executed and delivered for the benefit of the Construction Phase Credit Facility Provider and the Borrower is executing and delivering an Amended and Restated Second Multifamily Deed of Trust, Assignment of Rents and Security Agreement and Fixture Filing contemporaneously with the execution and delivery hereof in favor of Freddie Mac (together the "Reimbursement Mortgage") with respect to the Project; and

WHEREAS, the rights of the Issuer, the Trustee, the Construction Phase Credit Facility Provider and Freddie Mac to enforce remedies under the Bond Mortgage and the Reimbursement Mortgage, respectively, are governed by an Intercreditor Agreement dated as of May 1, 2009 among the Issuer, the Trustee, the Construction Phase Credit Facility Provider and Freddie Mac; and

WHEREAS, Oak Grove Commercial Mortgage, LLC (the "Servicer") will act as the initial servicer for the Bond Mortgage Loan;

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

ARTICLE II

DEFINITIONS AND INTERPRETATION

Section 2.1 ***Definitions***. All capitalized terms not otherwise specifically defined in this Agreement shall have the same meanings, respectively, as the defined terms contained in the Indenture or the Reimbursement Agreement, as applicable. Unless otherwise expressly provided in this Agreement or unless the context clearly requires otherwise, the following terms shall have the respective meanings set forth below for all purposes of this Agreement.

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

"*Available Amount*" means, at any time, an amount equal to the aggregate principal amount of Bonds Outstanding (on the date hereof, $[_____]) plus an amount equal to the accrued interest on the Bonds Outstanding for up to 35 days at the Maximum Interest Rate during the Variable Period, and up to

189 days at the Reset Rate or the Fixed Rate during any Reset Period or Fixed Rate Period, as the case may be, computed, during the period when the Bonds bear interest at the Variable Rate, on the basis of the actual days elapsed and a 365- or 366-day year, and computed, during the period when the Bonds bear interest at a Reset Rate or Fixed Rate, on the basis of a 360-day year of twelve (12) thirty (30) day months, in each instance as reduced by that amount, if any, previously provided by Freddie Mac to the Trustee for payment of the Guaranteed Payment or to enable the Trustee to purchase Purchased Bonds, such reduction to be in an amount equal to (i) in the case of payment of a Guaranteed Payment, 100% of the amount of such payment and (ii) in the case of the purchase of Purchased Bonds, 100% of the principal amount of such Purchased Bonds plus the accrued interest, if any, paid with respect to such Purchased Bonds. Following any provision of funds under this Agreement, the amount provided (and the amount by which the Available Amount is reduced) shall be reinstated only as provided in Sections 3.1(a)(iv) and 3.1(b)(iv).

"*Bonds*" means the Issuer's Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Mariposa Apartments) Series 2009 issued in the original principal amount of $13,690,000, of which $_____ is outstanding on the Closing Date.

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

"*Bond Mortgage Loan*" means the loan in the original amount of $13,690,000 (of which $_____ in currently unpaid) by the Issuer to the Borrower pursuant to the Financing Agreement, as evidenced by the Bond Mortgage Note and secured by the Bond Mortgage.

"*Bond Mortgage Note*" means the Bond Mortgage Note from the Borrower to the Issuer in the original principal amount of $13,690,000, of which $[_____] is outstanding on the Closing Date, including all riders and addenda thereto, evidencing the Borrower's obligation to repay the Bond Mortgage Loan, as the same may be amended, modified or supplemented from time to time, which promissory note has been assigned by the Issuer to the Trustee pursuant to the Indenture.

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

"*Borrower*" means Costa Mariposa, Ltd., a Texas limited partnership, and any permitted successor to or assignee of its rights and obligations under the Bond Financing Documents.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"*Issuer*" means the Texas Department of Housing and Community Affairs, and its successors.

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

"*Liquidity Commitment Termination Date*" means the Business Day immediately following the earliest of (a) the maturity date of the Bonds, (b) the date on which the interest rate on the Bonds is

converted to a Fixed Rate to the maturity date of the Bonds, (c) the effective date of an Alternate Credit Facility which replaces this Agreement or (d) the last day of the term of this Agreement.

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

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

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

"*Pledge Agreement*" means the Pledge, Security and Custody Agreement dated as of the date hereof between the Borrower and the Custodian, as the same may be amended, supplemented or restated from time to time.

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

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

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

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

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

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

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

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

"*State*" means the State of Texas.

"*Termination Date*" means the first to occur of (a) the date the Bonds shall have been paid in full, (b) the date the Bonds shall have been purchased in accordance with the provisions of Section 3.2 of this Agreement, (c) [December 6, 2041], (d) the date on which the Trustee, after having received sufficient funds to redeem all of the Bonds Outstanding in accordance with the terms of the Indenture, shall have released the lien of the Indenture and shall have paid to Freddie Mac all amounts required to be paid

under the Indenture, the Financing Agreement, the Reimbursement Agreement, this Agreement and any other Bond Financing Document, and (e) the day immediately following the effective date of any Alternate Credit Facility.

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

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

Section 2.2 ***Interpretation***. In this Agreement, unless the context otherwise requires, words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include partnerships, limited liability companies, corporations and associations, including public bodies, as well as natural persons. The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms, as used in this Agreement, refer to this Agreement. Any reference in this Agreement to an "Exhibit", a "Section", a "Subsection", a "Paragraph" or a "subparagraph" shall, unless otherwise explicitly provided, be construed as referring, respectively, to an Exhibit attached to this Agreement, a section of this Agreement, a subsection of the section of this Agreement in which the reference appears, a paragraph of the subsection within this Agreement in which the reference appears, or a subparagraph of the paragraph within which the reference appears. All Exhibits attached to or referred to in this Agreement are incorporated by reference into this Agreement.

ARTICLE III

REPRESENTATIONS

Section 3.1 ***Representations by Freddie Mac***. Freddie Mac represents and warrants that:

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

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

Mac is bound, or constitutes a violation of any law regulating the affairs of Freddie Mac or internal governing documents of Freddie Mac, and will not result in the creation of any prohibited encumbrance upon any of its assets.

Section 3.2 ***Representations by Trustee***. The Trustee represents, warrants and covenants that:

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

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

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

ARTICLE IV

CREDIT ENHANCEMENT AND LIQUIDITY

Section 4.1 ***Credit Enhancement Payments and Liquidity Payments***.

(a) (i) On each Bond Mortgage Payment Date, a portion of the Available Amount in an amount not to exceed the aggregate principal amount of the Bonds Outstanding (on the date hereof, $[_____]) is available for the payment of the Principal Component of the Guaranteed Payment and a portion of the Available Amount in an amount not to exceed the accrued interest on the Bonds Outstanding for up to 35 days at the Maximum Interest Rate during the Variable Period and up to 189 days at the Reset Rate or the Fixed Rate during any Reset Period or Fixed Rate Period, as the case may be (calculated as provided in the definition of Available Amount), is available for the payment of the Interest Component of the Guaranteed Payment, subject to reduction and reinstatement as provided in Section 3.1(a)(iv). Funds shall be made available to the Trustee for such payment against delivery by the Trustee of a demand for payment (each a "Draw Request"). Until Freddie Mac provides the Trustee with written or electronic notice to the contrary, the Trustee shall deliver Draw Requests to Freddie Mac using the Wire Request System. If, for any reason, the Trustee is unable to deliver a Draw Request electronically for processing a payment using the Wire Request System, the Trustee shall notify Freddie Mac immediately via the Freddie Mac Trustee Hotline and Freddie Mac Trustee E-mail Account and deliver that Draw Request by facsimile or

electronic transmission, immediately confirmed by overnight delivery service, of a Notice, in the form set forth in ***Exhibit A-1*** hereto, to Freddie Mac at (571) 382-4798, if by facsimile transmission, or the Freddie Mac Trustee E-mail Account, if by electronic transmission (or to such other facsimile number or e-mail address or using such other means of electronic or telephonic communication as Freddie Mac shall designate in writing); provided that Freddie Mac may waive in writing the requirement of confirmation by overnight delivery service. If a Draw Request is made in strict conformity with the terms and conditions hereof, payment shall be made to the Trustee in immediately available funds (A) if such Draw Request is received by Freddie Mac by 12:00 noon (Washington, D.C. time) on any Business Day, not later than 2:00 p.m. (Washington, D.C. time) on the next Business Day, and (B) if such Draw Request is so received after 12:00 noon (Washington, D.C. time) on any Business Day, not later than 2:00 p.m. (Washington, D.C. time) on the second succeeding Business Day.

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

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

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

following the provision of funds by Freddie Mac for payment of such Interest Component.

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

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

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

(iv) The obligation of Freddie Mac to pay the Purchase Price of tendered Bonds shall be reinstated (a) automatically, when and to the extent that (1) Freddie Mac has received reimbursement in immediately available funds for the amount provided pursuant to this Agreement to pay all or a portion of the Purchase Price of tendered Bonds or has received written confirmation from the Tender Agent that the Tender Agent has received immediately available funds

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

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

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

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

(d) Amounts held in the Revenue Fund, the Redemption Fund and the Bond Fund established under the Indenture (representing Freddie Mac Credit Enhancement

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

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

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

Section 4.2 ***Right of Freddie Mac to Cause Redemption, Mandatory Tender or Acceleration of Bonds***.

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

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

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

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

(iii) upon 15 days' prior notice to the Trustee and the Issuer, to deliver to the Trustee a written undertaking by Freddie Mac confirming its continuing obligations under this Agreement upon a remarketing of such Bonds pursuant to Section 10.10(d) of the Indenture.

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

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

Section 4.3 ***Nature of the Trustee's Rights***. The right of the Trustee to receive payments from Freddie Mac pursuant to Sections 3.1 and 3.2 shall not be diminished by any rights of set-off, recoupment or counterclaim Freddie Mac might otherwise have against the Issuer, the Trustee, the Borrower or any other person. Notwithstanding the foregoing, this Section 3.3 shall not be construed: to release the Trustee or the Issuer from any of their respective obligations hereunder or under the Indenture; except as provided in this Section, to prevent or restrict Freddie Mac from asserting any rights which it may have against the Issuer, the Trustee or the Borrower under this Agreement, the Indenture, the Intercreditor Agreement, the Bond Mortgage Loan or any provisions of law; or to prevent or restrict Freddie Mac, at its own cost and expense, from prosecuting or defending any action or proceeding by or against the Issuer, the Trustee or the Borrower or taking any other actions to protect or secure its rights; provided, however that any recovery against the Issuer is limited to amounts held under the Indenture.

Section 4.4 ***Adjustments to Required Bond Mortgage Payments and Guaranteed Payments***. In connection with any partial principal prepayments of amounts owing under the Bond Mortgage Note, the Interest Component of the Required Bond Mortgage Payment shall be adjusted only upon the redemption of Bonds in the amount of such principal prepayment.

ARTICLE V

FREDDIE MAC REIMBURSEMENTS

Section 5.1 ***Reimbursements***.

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

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

ARTICLE VI

COVENANTS

Section 6.1 ***Annual Reports***. Freddie Mac registered its common stock with the U.S. Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (the "Exchange Act"), effective July 18, 2008. As a result, Freddie Mac files annual, quarterly and current reports, proxy statements and other information with the SEC. Any document that Freddie Mac files with the SEC may be read and copied at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. These SEC filings are also available to the public from the SEC's web site at *http://www.sec.gov*.

Section 6.2 ***Notice of Certain Events***. The Trustee shall promptly give notice by facsimile or electronic transmission to Freddie Mac at (571) 382-4798, if by facsimile transmission, or the Freddie Mac Trustee E-mail Account, if by electronic transmission, of (i) the occurrence of any Event of Default under the Indenture or any event which, with the passage of time or service of notice, or both, would constitute an Event of Default thereunder of which the Trustee has actual knowledge, specifying the action taken or proposed to be taken with respect to such event, (ii) all notices required under Article X of the Indenture to be provided to Freddie Mac in connection with the remarketing of Bonds and (iii) each proposed redemption of Bonds and the amount thereof, in writing, not later than 20 days (or as soon as practicable after receiving notice or other information that such a redemption is expected to occur, if such proposed redemption is to be effected with less than 20 days' prior notice in accordance with the Indenture) prior to such redemption, other than scheduled mandatory sinking fund redemptions.

Section 6.3 ***Amendment of Documents***. So long as no Event of Default hereunder shall have occurred and be continuing, the Trustee will not amend or modify, or consent to any amendment or modification of any Bond Financing Document without the prior written consent of Freddie Mac.

Section 6.4 ***Replacement of Servicer***. The Trustee acknowledges that, under certain circumstances set forth in the Guide, Freddie Mac shall have the right to terminate the Servicer's servicing of the Bond Mortgage Loan and to transfer the servicing of the Bond Mortgage Loan to a successor servicer in accordance with the Guide. Freddie Mac will promptly notify the Trustee upon termination of the Servicer and the appointment of a successor servicer.

Section 6.5 ***Wiring Information***. All payments under this Agreement may be made by means of wire transfer of funds to the Trustee to the following account or such other account as the Trustee may specify in writing from time to time:

Wells Fargo Bank National Association
ABA Routing Number: 121000248
A/C Number:
Re: TDHCA Costa Mariposa
Attn: Deri Ward 713 289-3463

ARTICLE VII

DEFAULT AND REMEDIES

Section 7.1 ***Events of Default***. Any one or more of the following acts or occurrences shall constitute an Event of Default hereunder:

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

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

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

Section 7.2 ***Remedies of Trustee***. Upon the occurrence and continuance of any Event of Default by Freddie Mac hereunder, unless such Event of Default has been cured, the Trustee may take any one or more of the following steps, at its option:

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

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

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

Section 7.3 ***Remedies Not Exclusive***. No remedy conferred in this Agreement or reserved to the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 7.4 ***Restoration of Rights and Remedies***. If the Trustee shall have instituted any proceeding to enforce any right or remedy under this Agreement and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the party instituting such proceeding, then and in every such case Freddie Mac, and the Trustee shall, subject to any determination in such proceeding, be restored to their former positions hereunder and thereafter all rights and remedies of the Trustee shall continue as though no such proceeding had been instituted.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.1 ***Interest of Bondholders***. The payments to be made by Freddie Mac hereunder are to be pledged by the Trustee to secure payment of the Purchase Price, principal or redemption price of and interest on the Bonds; provided that in no event shall Freddie Mac be obligated to pay the Purchase Price, principal or redemption price of and interest on Purchased Bonds.

Section 8.2 ***Amendment***. This Agreement shall be amended only by an instrument in writing executed on behalf of the parties by their duly authorized representatives.

Section 8.3 ***No Individual Liability***. No covenant or agreement contained in this Agreement shall be deemed to be the covenant or agreement of any member of the Board of

Directors of Freddie Mac or any officer, agent, employee or representative of Freddie Mac, or the Trustee, in his or her individual capacity and none of such persons shall be subject to any personal liability or accountability by reason of the execution of this Agreement, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty, or otherwise.

Section 8.4 ***Notices***. All notices, certificates and other written communications shall be sufficiently given and shall be deemed to be given (unless another form of notice shall be specifically set forth in this Agreement) on the Business Day following the date on which the same shall have been delivered to a national overnight delivery service (receipt of which to be evidenced by a signed receipt for overnight delivery service) with arrangements made for payment of all charges for next business day delivery, addressed as follows (provided that any of such addresses may be changed at any time upon written notice of such change sent, as provided in this Section, to the other party):

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

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

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

To the Trustee:
Wells Fargo Bank, National Association
MAC T5017-241
1021 Main Street, Suite 2403
Houston, TX 77002
Attention: Corporate Trust Dept.
Facsimile: (713) 289-3463
Telephone: (713) 289-3488

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

Section 8.5 ***Governing Law***. This Agreement shall be construed, and the rights and obligations of Freddie Mac and the Trustee hereunder determined in accordance with federal statutory or common law ("federal law"). Insofar as there may be no applicable rule or precedent under federal law and insofar as to do so would not frustrate the purposes of any provision of this agreement, the local law of the Commonwealth of Virginia shall be deemed reflective of federal law. The parties agree that any legal actions between Freddie Mac and the Trustee regarding each party hereunder shall be originated in the United States District Court in and for the Eastern District of Virginia, and the parties hereby consent to the jurisdiction and venue of said Court in connection with any action or proceeding initiated concerning this Agreement.

Section 8.6 ***Severability***. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity of any other provision, and all other provisions shall remain in full force and effect.

Section 8.7 ***Multiple Counterparts***. This Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument and each of which shall be, and shall be deemed to be, an original.

Section 8.8 ***Successor Trustee***. This Agreement and all of the rights and obligations of the Trustee in this Agreement shall be automatically transferred and assigned to a successor Trustee appointed or acting pursuant to the Indenture.

Section 8.9 ***Assignment***. Except as provided in Section 7.8 hereof, this Agreement and the rights of the Trustee created hereby may not be assigned or transferred by the Trustee.

Section 8.10 ***Acceptance***. The Trustee accepts the duties imposed upon it by this Agreement and agrees to perform those duties but only upon and subject to the following express terms and conditions:

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

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

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

(d) none of the provisions contained in this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the

performance of any of its duties or in the exercise of any of its rights or powers under this Agreement except for any liability of the Trustee arising from its own negligence or willful misconduct;

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

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

[Signatures follow]

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

FEDERAL HOME LOAN MORTGAGE CORPORATION

By:_____
Name:_____
Title:_____

[Freddie Mac Signature Page to ***Costa Mariposa*** Credit Enhancement Agreement]

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WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By:_____
Name:_____
Title:_____

[Trustee's Signature Page to ***Costa Mariposa*** Credit Enhancement Agreement]

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EXHIBIT A-1

FORM OF NOTICE UNDER SECTION 3.1(A)(I)

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

Project Name: Costa Mariposa

Related Bonds: [$13,690,000] Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Mariposa Apartments) Series 2009

CUSIP Number: [CUSIP NUMBER OF RELATED BONDS]

Loan No.: 534375502

Date of Notice: _____

CERTIFICATE FOR THE PAYMENT OF GUARANTEED PAYMENT

under Section 3.1(a)(i) of Credit Enhancement Agreement between Freddie Mac and the undersigned, as Trustee, [dated/dated as of _____] relating to the Bond Mortgage Loan securing the Bonds referenced above

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

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

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

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

Authorized Signature: _____
Name: _____
Title: _____

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EXHIBIT A-2

FORM OF DEFICIENCY NOTICE UNDER SECTION 3.1(B)(I)

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

Related Bonds: [$13,690,000] Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Mariposa Apartments) Series 2009

Project Name: Costa Mariposa

CUSIP Number: [CUSIP NUMBER OF RELATED BONDS]

Loan No.: 534375502

Date of Notice: _____

DEFICIENCY NOTICE

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

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

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

CREDIT ENHANCEMENT PAYMENT DATE: _____, _____

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

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

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

Authorized Signature: _____
Name: _____
Title: _____

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EXHIBIT B

CERTIFICATE FOR REINSTATEMENT OF AVAILABLE AMOUNT

To: Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
Mail Stop B4Q
McLean, VA 22102
Attention: Multifamily Loan Accounting

$13,690,000
Texas Department of Housing and Community Affairs
Variable Rate Demand Multifamily Housing Revenue Bonds
(Costa Mariposa Apartments)
Series 2009

The undersigned, a duly authorized officer of Wells Fargo Bank, National Association, as Tender Agent (the "Tender Agent") under the Trust Indenture (the "Indenture") dated as of May 1, 2009 between the Texas Department of Housing and Community Affairs and Wells Fargo Bank, National Association, as Trustee, pursuant to which the above-referenced Bonds have been issued, certifies as follows (the capitalized terms used in this Certificate and not defined in this Certificate shall have the meanings given to those terms in the Indenture or the Credit Enhancement Agreement (the "Credit Enhancement Agreement"), dated as of [_____], between Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Trustee, as applicable):

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

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

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

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

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

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

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

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

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Tender Agent

By: _____
Name:
Title:

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EXHIBIT C

FREDDIE MAC MULTIFAMILY

BOND WIRE INSTRUCTION CHANGE REQUEST FORM

Freddie Mac Internal Use:

Loan Accounting Approval Date MF Operations Approval Date

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

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

Bond Property Name: Costa Mariposa Apartments

***Freddie Mac Loan Number(s): 534375502**

***Bank Name:** _____

***Bank City:** _____

***Bank State:** _____

***ABA Number:** _____

***Account Number:** _____

Further Credit Instructions:

Name of Final Credit Party: _____

Final Credit Party Account Number: _____

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

Bond Property Name: _____

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

***Bank Name:** _____

***Bank City:** _____

***Bank State:** _____

***ABA Number:** _____

***Account Number:** _____

Further Credit Instructions:

Name of Final Credit Party: _____

Final Credit Party Account Number: _____

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

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

[EXHIBIT C CONTINUED ON FOLLOWING PAGE]

Trustee Authorized Signature:

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

_____
Trustee Name

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

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

SCHEDULE 1

to

Bond Wire Instruction Change Request Form

INCUMBENCY CERTIFICATE

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

Name: _____ Title: _____

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

[Corporate Seal]

_____

Print Name: _____

Title: [Secretary / Assistant Secretary]

APPENDIX E

FORM OF BOND COUNSEL OPINION

May ____, 2009

Texas Department of Housing and
Community Affairs
Austin, Texas

Wells Fargo Bank, National Association,
as Trustee
Houston, Texas

Citigroup Global Markets Inc.
New York, New York

Federal Home Loan Mortgage Corporation
McLean, Virginia

Stern Brothers & Co.
St. Louis, Missouri

Bank of America, N.A.
Charlotte, North Carolina

Ladies and Gentlemen:

We have represented the Texas Department of Housing and Community Affairs (the "Issuer") in connection with the issuance by the Issuer of its $13,690,000 Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Mariposa Apartments) Series 2009 (the "Bonds") pursuant to a resolution adopted by the Governing Board of the Issuer on April 23, 2009 (the "Bond Resolution") and a Trust Indenture dated as of May 1, 2009 (the "Indenture"), by and between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Bonds bear interest at the rate and mature on the date as provided in the Indenture. The Bonds are subject to mandatory and optional redemption prior to maturity as set forth in the Indenture. Capitalized terms used herein and not otherwise defined are used with the meanings assigned to such terms in the Indenture, in the Financing Agreement dated as of May 1, 2009 (the "Financing Agreement") among the Issuer, the Trustee and Costa Mariposa, Ltd., a Texas limited partnership (the "Borrower"), or in the Regulatory and Land Use Restriction Agreement dated as of May 1, 2009 (the "Regulatory Agreement"), among the Issuer, the Trustee and the Borrower.

The Bonds are being issued for the purpose of obtaining funds to make a mortgage loan (the "Bond Mortgage Loan") to the Borrower to provide financing for the acquisition, construction and equipping of a multifamily residential rental development located within Galveston County, Texas (the "Development"), to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Issuer, and persons with special needs, all as required by the Act, and to be occupied at least partially (at least 40 percent) by Low-Income Tenants.

We have assumed with your permission and without independent verification (i) the genuineness of certificates, records and other documents (collectively, "documents") submitted to us and the accuracy and completeness of the statements contained therein; (ii) the due authorization, execution and delivery of the Indenture by the parties thereto, and the validity and

binding effect of the Indenture on such parties; (iii) that all documents submitted to us as originals are accurate and complete; (iv) that all documents submitted to us as copies are true and correct copies of the originals thereof; and (v) that all information submitted to us and on which we have relied was accurate and complete.

The scope of our representation extends solely to an examination of the facts and law incident to rendering an opinion with respect to the legality and validity of the Bonds and the security therefor and with respect to the exclusion from gross income for federal income tax purposes of interest on the Bonds. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and we express no opinion relating thereto (excepting only the matters set forth as our supplemental opinion of Bond Counsel of even date herewith). We have not assumed any responsibility with respect to the financial condition or capability of the Issuer, the Borrower, the Servicer or the Credit Facility Provider or the disclosure thereof. We have participated in the preparation of and have examined a transcript of certain materials pertaining to the Bonds, including certain certified proceedings of the Issuer, the State of Texas, the Trustee and the Borrower, and customary certificates, opinions, affidavits and other documents executed by officers, agents and representatives of the Issuer, the State of Texas, the Trustee, the Borrower and others. We have also examined the fully-executed Bond numbered R-1.

Based on said examination, and subject to the assumptions, qualifications and limitations set forth herein, it is our opinion that, under existing law:

1. The Issuer has duly authorized the issuance, execution and delivery of the Bonds. The Bonds constitute legal, valid and binding special limited obligations of the Issuer and are entitled to the benefit and security of the Indenture.

2. Interest on the Bonds is excludable from gross income for federal income tax purposes except with respect to the interest on any Bond for any period during which such Bond is held by a "substantial user" of the Development or a "related person," as those terms are defined for purposes of Section 147(a) of the Code.

3. Interest on the Bonds is not an item of tax preference includable in alternative minimum taxable income for purposes of calculating the alternative minimum tax on individuals and corporations.

In providing the opinions set forth in paragraphs 2 and 3 above, we have relied on, and assumed the accuracy and completeness of, representations made as of the date hereof by, among others, the Issuer, the Borrower and Citigroup Global Markets Inc., on behalf of itself and Stern Brothers & Co., as underwriter, with respect to matters solely within the respective knowledge of such parties, which matters we have not independently verified. Furthermore, in providing the opinions set forth in paragraphs 2 and 3 above, we have also assumed that there will be continuing compliance with the procedures, safeguards and covenants in the Indenture, the Financing Agreement, the Regulatory Agreement and the Tax Certificate pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. In the event that such representations are determined to be inaccurate or incomplete or the Issuer or the Borrower fails to comply with the foregoing

procedures, safeguards and covenants, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of original delivery of the Bonds, regardless of the date on which the event causing such includability occurs.

Certain actions may be taken or omitted subject to the terms and conditions set forth in the Indenture and related documents, upon the advice or with an approving opinion of Bond Counsel. We hereby express no opinion with respect to our ability to render an opinion that such actions, if taken or omitted, will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

We express no opinion as to the priority or perfection of the security interest granted by the Issuer in the Trust Estate.

The enforceability of certain provisions of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors. Furthermore, availability of equitable remedies under the Bonds may be limited by general principles of equity that permit the exercise of judicial discretion.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits" tax on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

The opinions set forth above speak only as of their date and only in connection with the Bonds and may not be applied to any other transaction. Such opinions are specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the

Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer and the Borrower have covenanted in the Indenture and the Financing Agreement not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Very truly yours,