New Issue: Book-Entry Only **S&P: AA/A-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). Interest on the Bonds, however, is an item of tax preference includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations. See "TAX MATTERS" for a discussion of Bond Counsel's opinion.

$15,000,000
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS
(RESIDENCES AT ONION CREEK)
SERIES 2007
CUSIP No: 88275ABX7

Dated: Date of Issuance **Price: 100%** **Due: December 15, 2040**

The Texas Department of Housing and Community Affairs (the "Issuer") is issuing its Variable Rate Demand Multifamily Housing Revenue Bonds (Residences at Onion Creek) Series 2007 (the "Bonds") pursuant to a Trust Indenture, dated as of November 1, 2007 (the "Indenture"), by and between the Issuer and Bank of New York Trust Company, N.A., as trustee (the "Trustee") to provide funding for a loan (the "Loan") to be made by the Issuer to Onion Creek Housing Partners, Ltd., a Texas limited partnership (the "Borrower"). The proceeds of the Loan will be used to finance the acquisition, construction and equipping of a 224-unit multifamily housing development (the "Development" or the "Mortgaged Property") to be located within Travis County, Texas. The Loan will be made pursuant to a Financing Agreement, dated as of November 1, 2007, by and among the Issuer, the Borrower and the Trustee.

The Bonds will initially be issued as weekly variable rate demand bonds and will bear interest from the Closing Date, at the variable rate of interest per annum to be determined on a weekly basis as described herein. During the Weekly Variable Rate Period, interest on the Bonds will be payable on the fifteenth day of each month, commencing December 15, 2007. Subject to satisfaction of certain conditions set forth in the Indenture, the Bonds may be adjusted to one of the other interest rate modes permitted by the Indenture (other permitted modes being the Reset Rate Mode and the Fixed Rate Mode). If the Bonds are to be adjusted to one of the other modes, the Bonds will be subject to mandatory tender for purchase on the proposed Adjustment Date (without regard to whether each of the conditions to the adjustment is satisfied and, therefore, without regard to whether the adjustment actually occurs) and the Bondholders will not have the right to retain their Bonds. See "THE BONDS — Mandatory Tender."

THIS OFFICIAL STATEMENT DESCRIBES THE BONDS ONLY DURING THE WEEKLY VARIABLE RATE PERIOD FOR THE BONDS, WHICH IS THE PERIOD BEGINNING ON THE CLOSING DATE AND ENDING ON THE DATE, IF ANY, ON WHICH THE INTEREST RATE ON ALL OF THE BONDS IS ADJUSTED TO A RESET RATE OR TO THE FIXED RATE. IT IS NOT INTENDED TO DESCRIBE THE BONDS SUBSEQUENT TO THEIR ADJUSTMENT TO A RESET RATE OR THE FIXED RATE.

Payment of the principal of and interest on the Bonds will be secured, to the extent set forth in the Indenture, by the Loan and by certain other resources and assets constituting the Trust Estate under the Indenture, all as described herein. In addition, credit enhancement and liquidity support for the Bonds will be provided by

JPMorgan Chase Bank, N.A.

(the "Bank") pursuant to an irrevocable transferable letter of credit (the "Letter of Credit"). The Letter of Credit will initially expire June 15, 2010 (the "Letter of Credit Expiration Date"), subject to one six-month extension option, but is subject to earlier termination as described herein. See APPENDIX H: "FORM OF THE LETTER OF CREDIT."

If the Final Conditions to Conversion of the Loan from the Construction Phase to the Permanent Phase (as each such term is defined herein) set forth in the Conversion Agreement, dated as of November 1, 2007 (the "Conversion Agreement"), by and among Fannie Mae, the Bank and PNC ARCS LLC (the "Loan Servicer"), and acknowledged, accepted and agreed to by the Borrower (relating primarily to completion of construction of the Development and its stabilization at a specified level of occupancy) are satisfied (or, to the extent not satisfied, are waived by Fannie Mae, where waiver is permitted) on or before June 15, 2010 or such later date if extended pursuant to the Conversion Agreement (in any of such event, the "Termination Date") such that the Loan Servicer issues a Final Notice of Conversion (as defined in the Indenture) on or before the Termination Date, the Loan will convert from the Construction Phase to the Permanent Phase ("Conversion") on a date (the "Conversion Date") specified by the Loan Servicer. If Conversion does occur, the Letter of Credit will be replaced on the Conversion Date by a Direct Pay Irrevocable Transferable Credit Enhancement Instrument issued by Fannie Mae (the "Fannie Mae Credit Facility") pursuant to and subject to the limitations of which Fannie Mae will provide credit enhancement and liquidity support for the Bonds. See APPENDIX I: "PROPOSED FORM OF THE FANNIE MAE CREDIT FACILITY." If Conversion occurs, the Fannie Mae Credit Facility issued and delivered to the Trustee will expire on December 20, 2040 (five days following the Maturity Date of the Bonds), unless terminated earlier in accordance with its terms, provided that the Fannie Mae Credit Facility will terminate as a liquidity facility for the Bonds on the eighteenth (18th) anniversary of the Conversion Date, unless such date is extended, as described in this Official statement. If Conversion occurs and the Fannie Mae Credit Facility is issued and delivered to the Trustee, Fannie Mae's obligations to make advances to the Trustee upon the proper presentation of documents which conform to the terms and conditions of the Fannie Mae Credit Facility will be absolute, unconditional and irrevocable. If any Final Condition to Conversion is not timely satisfied (and such condition is not waived by Fannie Mae, where waiver is permitted), on or before the Termination Date, Conversion will not occur. In that case, Fannie Mae will not have any obligation to deliver the Fannie Mae Credit Facility and will not have any obligations with respect to the Bonds or the Loan. There can be no assurance that Conversion will occur. If Conversion does not occur, the Bank does not extend the term of the Letter of Credit, and an Alternate Credit Facility is not delivered to the Trustee, the Bonds will be subject to mandatory tender in whole on the date which is five Business Days prior to the Letter of Credit Expiration Date. See "THE BONDS — Mandatory Tender." In addition, if the principal amount of the Loan is prepaid in part by the Borrower prior to and as a condition to Conversion of the Loan from the Construction Phase to the Permanent Phase to reduce the principal amount of the Loan to an amount less than the then outstanding principal amount of the Bonds in order to satisfy Fannie Mae's underwriting requirements for the Loan, the Bonds will be subject to corresponding mandatory redemption, in part, in an amount equal to such prepayment. If such prepayment in part is required but is not made, Conversion will not occur and Fannie Mae will not have any obligation to deliver the Fannie Mae Credit Facility and will not have any obligations with respect to the Bonds. See "THE BONDS — Redemption Provisions — Mandatory Redemption — Pre-Conversion Loan Equalization," "SECURITY AND ESTIMATED SOURCES OF PAYMENT FOR THE BONDS — Letter of Credit," "SECURITY AND ESTIMATED SOURCES OF PAYMENT FOR THE BONDS — Fannie Mae Credit Facility" and "CERTAIN BONDHOLDERS' RISKS."

THE INDENTURE REQUIRES THAT THE TRUSTEE PROVIDE WRITTEN NOTICE OF CONVERSION TO THE BONDHOLDERS NOT LESS THAN 10 BUSINESS DAYS PRIOR TO THE CONVERSION DATE, BUT CONVERSION DOES NOT REQUIRE THE CONSENT OF THE BONDHOLDERS AND WILL NOT TRIGGER 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 BOTH THE BANK AND FANNIE MAE IN MAKING ANY INVESTMENT DECISION REGARDING THE BONDS. **IF CONVERSION DOES NOT OCCUR, FANNIE MAE WILL NOT HAVE ANY OBLIGATION TO PROVIDE THE FANNIE MAE CREDIT FACILITY FOR THE BONDS, AND WILL NOT OTHERWISE HAVE ANY OBLIGATION WITH RESPECT TO THE BONDS OR THE LOAN.**

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of $100,000 or any integral multiple of $5,000 in excess of $100,000. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Bonds will be made in book-entry only form. DTC will act as securities depository for the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the registered owners of the Bonds will mean Cede & Co. and will not mean the beneficial owners of the Bonds. Purchasers of beneficial interests in the Bonds will not receive physical delivery of Bonds. Payments of principal of, premium, if any, and interest on the Bonds and the payment of the purchase price of tendered Bonds will be made directly to DTC or its nominee, Cede & Co., by the Trustee, so long as DTC is the registered owner of the Bonds. DTC will remit such payments to the applicable DTC Participants. The disbursements of such payments will be made by DTC Participants to the beneficial owners of the Bonds. See "THE BONDS — Book-Entry Only System."

So long as the Bonds bear interest at a Weekly Variable Rate, the registered owners of the Bonds will have the right to tender their Bonds for purchase to Bank of New York Trust Company, N.A., as Tender Agent, at its designated office, on any Business Day upon written notice, which notice must be at least seven days in advance of the requested tender date so long as the Bonds bear interest at a Weekly Variable Rate. The Bonds are subject to mandatory tender and purchase on each Adjustment Date, upon replacement of the Credit Facility (as defined herein) with an Alternate Credit Facility (as defined herein) and under certain other circumstances, as provided in the Indenture. If Conversion occurs and the Fannie Mae Credit Facility is issued and delivered to the Trustee, the Fannie Mae Credit Facility will not be an Alternate Credit Facility, and the delivery of the Fannie Mae Credit Facility to the Trustee on the Conversion Date, if it occurs, will not constitute the delivery of an Alternate Credit Facility requiring a Mandatory Tender of Bonds. See "THE BONDS – Tender" herein. See "THE BONDS — Mandatory Tender." The Bonds are subject to optional and mandatory redemption, including redemption at par, prior to maturity as described in this Official Statement. See "THE BONDS — Redemption Provisions."

ANY OBLIGATION WHICH THE ISSUER MAY INCUR UNDER THIS INDENTURE OR UNDER ANY INSTRUMENT EXECUTED IN CONNECTION WITH THIS INDENTURE WHICH SHALL ENTAIL THE EXPENDITURE OF MONEY SHALL NOT BE A GENERAL OBLIGATION OF THE ISSUER BUT SHALL BE A SPECIAL LIMITED OBLIGATION PAYABLE SOLELY FROM THE TRUST ESTATE. THE BONDS SHALL 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 SHALL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THIS INDENTURE. THE BONDS, TOGETHER WITH INTEREST THEREON, SHALL 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 SHALL 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 SHALL BE LIABLE THEREON, NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THERETO. THE ISSUER HAS NO TAXING POWER.

FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE BONDS WILL ARISE ON THE CONVERSION DATE AND, THEREFORE, ONLY IF CONVERSION OCCURS. THE OBLIGATION OF FANNIE MAE ARISING ON THE CONVERSION DATE WILL BE SOLELY AS PROVIDED IN THE FANNIE MAE CREDIT FACILITY. THE OBLIGATIONS OF FANNIE MAE UNDER THE FANNIE MAE CREDIT FACILITY WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER-OWNED CORPORATION. FANNIE MAE'S OBLIGATIONS WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, OR ANY AGENCY OF THE UNITED STATES OF AMERICA OR OF FANNIE MAE. THE BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

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

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Vinson & Elkins L.L.P., Austin, Texas, Bond Counsel and certain other conditions. Certain legal matters will be passed upon for the Bank by Gardere Wynne Sewell & Riggs, L.L.P., Houston, Texas, for Fannie Mae by its Legal Department and by its Special Counsel, Arent Fox LLP, Washington, D.C. and for the Borrower by its counsel, Arnall Golden Gregory LLP, Atlanta, Georgia and Locke Liddell & Sapp PLLC, Austin, Texas. Certain legal matters will be passed on for the Underwriter by its counsel, Eichner & Norris PLLC, Washington, D.C. It is expected that the Bonds will be delivered through the facilities of DTC in New York, New York, on or about December 3, 2007.

MERCHANT CAPITAL
L.L.C.

December 3, 2007

No dealer, broker, salesman or other person has been authorized by the Issuer, the Borrower, the Bank, Fannie Mae or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by any or the foregoing. 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 Bank, Fannie Mae and DTC and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriter, the Issuer, the Borrower, the Bank or Fannie Mae, except (i) as to the Issuer, with respect to the information under the captions "ISSUER" and "NO LITIGATION — The Issuer," (ii) as to the Borrower, with respect to the description under the caption "THE DEVELOPMENT AND THE PRIVATE PARTICIPANTS" and "NO LITIGATION — The Borrower" (iii) as to the Bank, with respect to the description under the caption "THE BANK," and (iv) as to Fannie Mae, with respect to the description under the caption "FANNIE MAE." In particular:

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

The Issuer has not provided or approved any information in this Official Statement, except as provided above, and takes no responsibility for any other information contained in this Official Statement.

Fannie Mae has not provided or approved any information in this Official Statement except with respect to the description under the caption "FANNIE MAE," takes no responsibility for any other information contained in this Official Statement, and makes no representation as to the contents of this Official Statement (other than with respect to the description under the caption "FANNIE MAE"). Without limiting the foregoing, Fannie Mae 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. Fannie Mae's role with respect to the Bonds is limited to issuing the Fannie Mae Commitment described herein and providing the Fannie Mae Credit Facility described herein to the Trustee, but only if Conversion occurs.

The Bank 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 BANK," which was provided by the Bank. Without limiting the foregoing, the Bank 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 Bank's role with respect to the Bonds is limited to providing the Letter of Credit described herein to the Trustee.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND OTHERS AT A PRICE LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THESE SECURITIES 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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OFFICIAL STATEMENT

relating to

$15,000,000
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS
(RESIDENCES AT ONION CREEK)
SERIES 2007

INTRODUCTION

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

UNLESS OTHERWISE INDICATED, THE TERM "BONDS' AS USED IN THIS OFFICIAL STATEMENT DOES NOT INCLUDE EXCLUDED BONDS, AS SUCH TERM IS DEFINED HEREIN. ADDITIONALLY, THE TERM "BONDHOLDERS" DOES NOT INCLUDE THE HOLDERS OF EXCLUDED BONDS. THE CREDIT FACILITY DESCRIBED IN THIS OFFICIAL STATEMENT DOES NOT PROVIDE CREDIT ENHANCEMENT OR LIQUIDITY SUPPORT FOR ANY EXCLUDED BONDS.

This Official Statement and the Appendices hereto set forth certain information relating to the Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Residences at Onion Creek) Series 2007 (the "Bonds"). The Bonds are being issued by the Texas Department of Housing and Community Affairs (the "Issuer") pursuant to Chapter 2306, Texas Government Code, as amended (the "Act"), pursuant to a resolution of the Issuer adopted on November 8, 2007 and under a Trust Indenture, dated as of November 1, 2007 (the "Indenture"), between the Issuer and Bank of New York Trust Company, N.A., as trustee (the "Trustee").

The Bonds are being issued to provide funding for a mortgage loan (the "Loan") to be made by the Issuer to Onion Creek Housing Partners, Ltd., a Texas limited partnership (the "Borrower"), for the purpose of financing a portion of the costs of the acquisition, construction and equipping of a multifamily rental housing development to be known as Residences at Onion Creek (the "Development" or the "Mortgaged Property") located in Travis County, Texas (the "County"). The Development is to be occupied in part by persons and families of low and very low income, to the extent required by federal tax law and otherwise as determined by the Issuer and in accordance with participation in the Low Income Housing Tax Credit Program (the "LIHTC Program") under Section 42 of the Internal Revenue Code of 1986, as amended (the "Code"). See "THE DEVELOPMENT AND THE PRIVATE PARTICIPANTS." The Loan will be made pursuant to a Financing Agreement, dated as of November 1, 2007 (the "Financing Agreement"), among the Issuer, the Borrower and the Trustee. Pursuant to the Indenture, the Issuer will assign the Financing Agreement (including all of the rights of the Issuer thereunder except for the Issuer's Reserved Rights), together with other property comprising the Trust Estate, to the Trustee for the benefit of the registered owners of the Bonds and JPMorgan Chase Bank, N.A. (the "Bank").

The Issuer will originate the Loan on the Closing Date. The Loan will be evidenced by a Multifamily Note (the "Note"), dated as of November 1, 2007, executed by the Borrower in favor of the Issuer. The Note will be a nonrecourse obligation of the Borrower, subject to certain exceptions. The Note will be secured by a first lien priority Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing from the Borrower to the Issuer and the Bank encumbering the Development (the "Security Instrument"). The Security Instrument will be amended and restated on the Conversion Date and will thereafter run to the benefit of the Issuer and Fannie Mae. The Loan and the documentation of the Loan, including the Note, the Security Instrument and the other Loan Documents, will be assigned, pursuant to the Indenture, to the Trustee as part of the Trust Estate securing the Bonds. In addition, on the Closing Date, the Issuer, the Trustee and the Bank will enter into an Assignment and Intercreditor Agreement (the "Assignment"), dated as of November 1, 2007, to be acknowledged, accepted and agreed to by the Borrower, providing for, among other things, the assignment of, and control over and exercise of certain rights and interests of the Issuer relating to, the Loan, the Note, the Security Instrument, all of the other Loan Documents and the Financing Agreement (collectively, the "Assigned Rights") to the Trustee and the Bank, and their respective successors and assigns, as their interests may appear. Pursuant to the Assignment, the Bank will have the exclusive right to exercise all rights and remedies (other than Reserved Rights) under the Note, the Security Instrument, all of the other Loan Documents and the Financing Agreement and (collectively, the "Assigned Documents"). The Bank also will have the right at any time, upon filing with the Trustee a certification reaffirming the Bank's obligations under the Credit Facility, to direct the Trustee to assign all of its right, title and interest in and to the Assigned Documents to the Bank. At Conversion, if it occurs, the Bank will assign all of such rights to Fannie Mae.

The Bank has agreed, pursuant to the terms and subject to the conditions of the Reimbursement Agreement, dated as of November 1, 2007, between the Bank and the Borrower (the "Bank Reimbursement Agreement") to facilitate the financing of the Development by providing credit enhancement and liquidity support for the Bonds pursuant to, and subject to the limitations of, an Irrevocable Transferable Letter of Credit (the "Letter of Credit"). See APPENDIX H: "FORM OF THE LETTER OF CREDIT." The Letter of Credit will be in the face amount of $15,167,672.00 of which (i) $15,000,000 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 Tendered Bonds representing the principal amount of the Tendered Bonds, and (ii) $167,672.00 (representing 34 days of interest on the maximum aggregate principal amount of Outstanding Bonds that may be issued under the Indenture calculated at the rate of 12% per annum and computed on the basis of a 365 day year) will be available to pay interest on the Bonds or to pay the portion of the purchase price of Tendered Bonds representing accrued interest on the Tendered Bonds. The available credit is subject to reduction and reinstatement in accordance with the terms of the Letter of Credit. The Letter of Credit expires on June 15, 2010 (the "Letter of Credit Expiration Date"), subject to one six-month extension option, but is subject to earlier termination in certain events. See APPENDIX E: "SUMMARY OF CERTAIN PROVISIONS OF THE BANK REIMBURSEMENT AGREEMENT."

Fannie Mae has agreed, but only upon satisfaction of the Final Conditions to Conversion contained in the Conversion Agreement (the "Conversion Agreement"), dated as of November 1, 2007, among Fannie Mae, the Loan Servicer, and the Bank, and acknowledged, accepted and agreed to by the Borrower, on or before June 15, 2010 (subject to one six month extension pursuant to the Conversion Agreement) (the "Termination Date"), to facilitate the financing of the Development in the Permanent Phase (as defined in the Conversion Agreement) by providing credit enhancement and liquidity support for the Bonds effective on the Conversion Date, if it occurs, pursuant to, and subject to the limitations of, a Direct Pay Irrevocable Transferable Credit Enhancement Instrument (the "Fannie Mae Credit Facility"). See APPENDIX I: "PROPOSED FORM OF THE FANNIE MAE CREDIT FACILITY." For purposes of the Conversion Agreement, the Permanent Phase begins on the Conversion Date. Accordingly, if conversion of the Loan from the Construction Phase to the Permanent Phase occurs ("Conversion"), the Fannie Mae Credit Facility will be effective, and will replace the Letter of Credit, on the Conversion Date. See "SECURITY AND ESTIMATED SOURCES OF PAYMENT FOR THE BONDS – Fannie Mae Credit Facility."

In order to provide for the orderly substitution of the Fannie Mae Credit Facility for the Letter of Credit as the credit enhancement and liquidity facility for the Bonds in the Permanent Phase if Conversion occurs, the Issuer, the Trustee and the Bank have agreed, the provisions of the Indenture contemplate, and the Bondholders by their acceptance of the Bonds under the terms of the Indenture will have agreed, that if the Loan Servicer issues a Final Notice of Conversion on or before the Termination Date, establishing that the Final Conditions to Conversion have been satisfied (or, to the extent not satisfied, have been waived by Fannie Mae where waiver is permitted), the Fannie Mae Credit Facility will, on the Conversion Date, replace the Letter of Credit as the credit enhancement and liquidity facility for the Bonds.

In order to ensure continuous credit enhancement and liquidity support for the Bonds, the Conversion Date, if it occurs, must, under the terms of the Conversion Agreement, occur on or before the Letter of Credit Expiration Date.

If the Final Conditions to Conversion set forth in the Conversion Agreement are satisfied on or before the Termination Date (or, to the extent not satisfied, are waived by Fannie Mae, where waiver is permitted) the Loan Servicer is, on or before the Termination Date, to issue the Final Notice of Conversion. If the Loan Servicer issues the Final Notice of Conversion on or before the Termination Date, the Loan will convert from the Construction Phase to the Permanent Phase on the Conversion Date (which will be the 15th day of the calendar month, or, if such day is not a Business Day, the next succeeding Business Day) specified by the Loan Servicer. On the Conversion Date, the Fannie Mae Credit Facility will replace the Letter of Credit as the credit enhancement and liquidity facility for the Bonds. In connection with such replacement, the Bank will, on the Conversion Date, assign to Fannie Mae all of the Assigned Rights and all of its right, title and interest in and to the Assigned Documents assigned by the Authority to the Bank pursuant to the Assignment. If, however, any Final Condition to Conversion is not satisfied on or before the Termination Date (or, to the extent not satisfied, such condition is not waived by Fannie Mae, where waiver is permitted) with the result that the Loan Servicer fails to issue the Final Notice of Conversion on or before the Termination Date, Conversion will not occur.

The Final Conditions to Conversion include, but are not limited to, completion of construction of the Development and the achievement of a specified level of occupancy from the leasing of units in the Development. No assurance can be given that all of the Final Conditions to Conversion will be satisfied or that other events or circumstances may or may not occur as a result of which Conversion will not occur. See "CERTAIN BONDHOLDERS' RISKS — Failure to Satisfy Conditions to Conversion."

In addition, even if Conversion occurs, no assurance can be given that the principal amount of the Loan, as finally determined in accordance with the Conversion Agreement, will not be less than the original principal amount of the Loan; if the principal amount of the Loan, as finally determined in accordance with the Conversion Agreement, is less than the original principal amount of the Loan, the principal amount of the Loan must, as a Final Condition to Conversion, be reduced to the Permanent Phase Loan Amount (i.e., the amount determined by the Loan Servicer in accordance with the Conversion Agreement as the maximum amount of the Loan that can be supported by the Mortgaged Property (based on Fannie Mae's criteria applied to the Loan) and approved by Fannie Mae, such amount being the

"Permanent Phase Loan Amount" (which amount is the principal amount of the Bonds that Fannie Mae will credit enhance at Conversion)), by the Borrower's prepayment of the Loan in part (a "Pre-Conversion Loan Equalization Payment") in an amount equal to the difference between the then outstanding principal balance of the Loan and the Permanent Phase Loan Amount. 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. No such redemption will be made at a premium. If such Pre-Conversion Loan Equalization Payment is required but not made, Conversion will not occur. If Conversion does not occur, Fannie Mae will not have any obligation to deliver the Fannie Mae Credit Facility and will not have any obligation with respect to the Bonds or the Loan. See "THE BONDS — Redemption Provisions — Mandatory Redemption — Pre-Conversion Loan Equalization" and "CERTAIN BONDHOLDERS' RISKS — Reduction in Authorized Loan Amount."

If Conversion does not occur, the Bank does not extend the term of the Letter of Credit, and an Alternate Credit Facility is not delivered to the Trustee, the Bonds will be subject to mandatory tender in whole on the date which is five Business Days prior to the expiration date of the Letter of Credit. See "THE BONDS — Mandatory Tender."

IF CONVERSION DOES NOT OCCUR, FANNIE MAE WILL NOT HAVE ANY OBLIGATION TO PROVIDE THE FANNIE MAE CREDIT FACILITY FOR THE BONDS, AND WILL NOT OTHERWISE HAVE ANY OBLIGATION WITH RESPECT TO THE BONDS OR THE LOAN.

IF CONVERSION OCCURS AND THE FANNIE MAE CREDIT FACILITY IS ISSUED AND DELIVERED TO THE TRUSTEE, FANNIE MAE WILL ADVANCE FUNDS UNDER THE FANNIE MAE CREDIT FACILITY TO THE TRUSTEE WITH RESPECT TO THE PAYMENT OF: (I) AMOUNTS SUFFICIENT TO PAY THE PRINCIPAL OF THE BONDS WHEN DUE BY REASON OF ACCELERATION, OPTIONAL OR MANDATORY REDEMPTION, TENDER, DEFEASANCE OR STATED MATURITY AND (II) AMOUNTS SUFFICIENT TO PAY UP TO 34 DAYS' INTEREST ON THE BONDS (CALCULATED AT A RATE NOT TO EXCEED THE MAXIMUM RATE, AS DEFINED BELOW) WHEN DUE ON OR PRIOR TO THE MATURITY DATE. FANNIE MAE WILL ALSO ADVANCE FUNDS TO THE TRUSTEE UNDER THE FANNIE MAE CREDIT FACILITY UP TO THE PRINCIPAL AMOUNT OF THE BONDS AND INTEREST ON THE BONDS (NOT TO EXCEED THE MAXIMUM RATE) FOR UP TO 34 DAYS IN ORDER TO PAY THE PURCHASE PRICE OF BONDS TENDERED FOR PURCHASE, AND NOT TIMELY REMARKETED, PURSUANT TO THE INDENTURE. IF ISSUED, THE FANNIE MAE CREDIT FACILITY WILL EXPIRE ON DECEMBER 20, 2040 UNLESS TERMINATED EARLIER IN ACCORDANCE WITH ITS TERMS, AS PROVIDED IN THE FANNIE MAE CREDIT FACILITY, PROVIDED THAT THE FANNIE MAE CREDIT FACILITY WILL TERMINATE AS A LIQUIDITY FACILITY FOR THE BONDS ON THE EIGHTEENTH (18TH) ANNIVERSARY OF THE CONVERSION DATE UNLESS SUCH DATE IS EXTENDED, AS DESCRIBED HEREIN. UPON SUCH TERMINATION, THE BONDS WILL BE SUBJECT TO MANDATORY TENDER FOR PURCHASE.

THE INDENTURE REQUIRES THAT THE TRUSTEE PROVIDE WRITTEN NOTICE OF CONVERSION TO THE BONDHOLDERS NOT LESS THAN 10 BUSINESS DAYS PRIOR TO THE CONVERSION DATE, BUT CONVERSION DOES NOT REQUIRE THE CONSENT OF THE BONDHOLDERS AND WILL NOT TRIGGER 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 BOTH THE BANK AND FANNIE MAE IN MAKING ANY INVESTMENT DECISION REGARDING THE BONDS.

In order to assure compliance with the applicable provisions of the Code and state law, the Borrower, the Issuer and the Trustee will enter into a Regulatory and Land Use Restriction Agreement, dated as of November 1, 2007 (the "Regulatory Agreement"), which, among other things, requires that at least 40% of the residential rental units in the Development be occupied by persons and families whose incomes satisfy certain provisions of the Code and places certain restrictions on rent levels and occupancy of the Development. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT." It is also anticipated that the Development will be subject to additional affordable housing restrictions as a result of the Borrower's participation in the LIHTC Program. See "THE DEVELOPMENT AND THE PRIVATE PARTICIPANTS — Additional Restrictive Covenants."

THIS OFFICIAL STATEMENT DESCRIBES THE BONDS ONLY DURING THE INITIAL WEEKLY VARIABLE RATE PERIOD FOR THE BONDS, WHICH IS THE PERIOD BEGINNING ON THE CLOSING DATE AND ENDING ON THE MATURITY DATE OR THE DATE, IF ANY, ON WHICH THE INTEREST RATE ON ALL OF THE BONDS IS ADJUSTED TO A RESET RATE OR TO THE FIXED RATE. DURING SUCH PERIOD, PAYMENTS DUE ON THE BONDS ARE SECURED BY THE CREDIT FACILITY DESCRIBED HEREIN. THE CREDIT FACILITY ALSO SECURES THE PURCHASE PRICE OF BONDS TENDERED PURSUANT TO THE INDENTURE.

FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE BONDS WILL ARISE ON THE CONVERSION DATE AND, THEREFORE, ONLY IF CONVERSION OCCURS. THE OBLIGATIONS OF FANNIE MAE ARISING ON THE CONVERSION DATE WILL BE SOLELY AS PROVIDED IN THE FANNIE MAE CREDIT FACILITY. THE OBLIGATIONS OF FANNIE MAE UNDER THE FANNIE MAE CREDIT FACILITY WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER-OWNED CORPORATION. FANNIE MAE'S OBLIGATIONS WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, OR ANY AGENCY OF THE UNITED STATES OF AMERICA, OR OF FANNIE MAE. THE BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

Summaries of the Indenture, the Financing Agreement, the Regulatory Agreement, the Bank Reimbursement Agreement, the Fannie Mae Reimbursement Agreement and the form of the Letter of Credit and the proposed form of the Fannie Mae Credit Facility are attached as Appendices to this Official Statement. All references herein to the Indenture, the Financing Agreement, the Regulatory Agreement, the Credit Facility, the Fannie Mae Reimbursement Agreement, the Bank Reimbursement Agreement and all other documents and agreements are qualified in their entirety by reference to such documents and agreements, and all references to the Bonds are qualified by reference to the form thereof included in the Indenture, copies of which are available for inspection at the corporate trust office 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 and in accordance with 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 (the "TDCA"), 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 for the housing needs of individuals and families of low, very low, and extremely low income and families of moderate income. 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 shall 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 of the State, 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 of the State 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:

ELIZABETH ANDERSON, Chair and Board Member. Marketing/Information Technology Consultant, Dallas, Texas. Her term expired January 31, 2007.

C. KENT CONINE, Vice Chair and Board Member. President, Conine Residential Group, Frisco, Texas. His term expires January 31, 2009.

SHADRICK BOGANY, Board Member. ERA Bogany Properties of Houston, Houston, Texas. His term expired January 31, 2005.

NORBERTO SALINAS, Board Member. Mayor, City of Mission, Mission, Texas and President, S & F Developers and Builders. His term expired January 31, 2005.

DIONICIO VIDAL "SONNY" FLORES, Board Member. President and Owner, PEC Corporation, an engineering and construction management company. His term expires January 31, 2009.

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

[VACANCY]

All of the above Board members have been appointed by the Governor and 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 280 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 GERBER, Executive Director. On April 13, 2006, the TDHCA Board 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 Projects to U.S. Senator Phil Gramm from 1990-1997. Mr. Gerber received his undergraduate degree from George Washington University and an MBA from Marymount University.

BROOKE BOSTON, Deputy Executive Director. Ms. Boston joined the Issuer in June of 2000 as a Low Income Housing Tax Credit Planner in the Multifamily Program Division and was subsequently named the Co-Manager of the low income housing tax credit program. She assumed her current position on June 1, 2006. Ms. Boston's responsibilities include oversight of the Issuer's program divisions including Single Family Finance Product, Multifamily Finance Production, the Office of Colonia Initiatives and the Community Affairs Division. Prior to this position, Mr. Boston had been the Director of Multifamily Finance Production since January 2003 and her duties included managing mortgage revenue bonds, low income housing tax credits, preservation funds, the Housing Trust Fund and HOME funds. Prior to joining the Issuer, Ms Boston had been in the housing industry doing consulting on affordable housing development. Ms. Boston has a Master of Science in Planning from Florida State University, Tallahassee, Florida.

WILLIAM DALLY, Deputy Executive Director for Administration. Mr. Dally initially joined the Issuer on the Internal Audit staff in June 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 Finance Production in September, 2006. As Director, she is responsible for the application, review, allocation, award, and closing on all multifamily funding sources and the Issuer including multifamily revenue bonds, low income housing tax credits, preservation funds, the Housing Trust Fund, and HOME funds.

KELLY CRAWFORD, Director of Portfolio Management and Compliance. Kelly Crawford has over seven years of state government service with project management, monitoring, and auditing experience in welfare reform programs, performance measurement, data accuracy, and program efficiency including three and one-half years with the Issuer as an internal auditor. She has worked closely with management of the Issuer to consult in the development and implementation of an Enterprise Risk Management program. Ms. Crawford holds a Bachelor of Science degree from Texas A&M University, is a Certified Internal Auditor, and holds a Certification in Control Self-Assessment.

KEVIN HAMBY. General Counsel and Secretary to the Board. Kevin Hamby was named General Counsel of the Issuer and became Secretary to the Board on September 1, 2005. In his role of Board Secretary, Mr. Hamby coordinates the recording of transcripts and minutes of Board actions as required by the Act. As General Counsel, 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 SPECIAL LIMITED OBLIGATIONS SOLELY OF THE ISSUER PAYABLE FROM THE REVENUES, RECEIPTS AND SECURITY PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE UNITED STATES OF AMERICA, THE STATE, THE ISSUER, NOR 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 August 31, 2007 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, 50 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 August 31, 2007, the aggregate outstanding principal amount of bonded indebtedness of the Issuer for single family purposes was $1,360,175,000.

Multifamily Housing Revenue Bonds. The Issuer and the Agency 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 August 31, 2007, 104 series were outstanding with an aggregate outstanding principal amount of $1,213,299,159 of multifamily housing revenue bonds.

THE BONDS

General

The Bonds are dated as of the date of delivery and will mature on the Maturity Date, subject to prior redemption as provided in the Indenture. Pursuant to the Indenture, interest on the Bonds will be payable to the registered owners thereof, as of the close of business on the Record Date, in accordance with the terms set forth in the Indenture, on each Interest Payment Date. The Bonds will bear interest at the Weekly Variable Rate until the interest rate on the Bonds is adjusted to a Reset Rate or the Fixed Rate. The interest rate on the Bonds will be determined by Merchant Capital, L.L.C., or its successor as remarketing agent (the "Remarketing Agent"). Except during a Reset Period or the Fixed Rate Period, the Bonds will bear interest at the Weekly Variable Rate from time to time as described below. During the Weekly Variable Rate Period, interest will accrue on the basis of a 365-or 366-day year, as applicable, for the actual number of days elapsed.

During each Weekly Variable Rate Period, the Remarketing Agent will determine the Weekly Variable Rate for each Week not later than 4:00 p.m. Eastern Time on each Rate Determination Date.

The Weekly Variable Rate will be the minimum rate of interest necessary, in the professional judgment of the Remarketing Agent, taking into consideration prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds on the applicable Rate Determination Date at par plus accrued interest on such Bonds for that Week. The Weekly Variable Rate so determined will be effective for the Week for which such rate was determined. The Remarketing Agent will provide notice of the Weekly Variable Rate before 5:00 p.m. Eastern Time on the Rate Determination Date by telephone to any Beneficial Owner, upon request, and by Electronic Means to the Trustee, the Loan Servicer (on and after the Conversion Date) and the Bank (so long as the Letter of Credit is in effect) or any Alternate Credit Provider (at such time as an Alternate Credit Facility is in effect), and not later than the next Business Day by Electronic Means to the other Remarketing Notice Parties. The Weekly Variable Rate so determined by the Remarketing Agent will be conclusive and binding upon the Remarketing Notice Parties and the Registered Owners.

Adjustment of the Interest Rate on the Bonds

At the option of the Borrower, the interest rate on all Outstanding Bonds may be adjusted on any Interest Payment Date designated by the Borrower from the Weekly Variable Rate to a Reset Rate with the prior written consent of the Credit Provider. Each such adjustment is subject to the satisfaction of the conditions precedent set forth in the Indenture, including, but not limited to (a) written notice of the proposed adjustment not less than 45 days before the proposed Reset Date from the Borrower to the other Remarketing Notice Parties, which notice must designate the proposed Reset Date and the written preliminary consent of the Credit Provider to the proposed adjustment to the Trustee and the Loan Servicer, and (b) written notice not less than 30 days before the proposed Reset Date from the Trustee to the Bondholders by first class mail, postage prepaid, stating, among other things, that all Bonds are subject to mandatory tender and purchase on the proposed Reset Date whether or not all of the conditions to the proposed adjustment are satisfied and that no Bondholder will have the right to elect to retain its Bonds. The Indenture also requires that on or prior to the proposed Reset Date there be delivered by the Borrower (i) to the Trustee and the Loan Servicer, the written consent of the Credit Provider, and (ii) to the other Remarketing Notice Parties, a favorable Opinion of Bond Counsel.

At the option of the Borrower, the interest rate on all Outstanding Bonds may be adjusted on any Interest Payment Date designated by the Borrower from the Weekly Variable Rate to the Fixed Rate. Such adjustment is subject to the satisfaction of the conditions precedent set forth in the Indenture, including, but not limited to (a) written notice of the proposed adjustment not less than 45 days before the proposed Fixed Rate Adjustment Date from the Borrower to the other Remarketing Notice Parties, which notice must designate the proposed Fixed Rate Adjustment Date and the written preliminary consent of the Credit Provider to the Trustee and the Loan Servicer, and (b) written notice, not less than 30 days before the proposed Fixed Rate Adjustment Date, from the Trustee to the Bondholders by first class mail, postage prepaid stating, among other things, that all Bonds are subject to mandatory tender and purchase on the proposed Fixed Rate Adjustment Date whether or not all of the conditions to the proposed adjustment are satisfied and that no Bondholder will have the right to elect to retain its Bonds. Among other things, the Indenture also requires that on or prior to the proposed Fixed Rate Adjustment Date there be delivered by the Borrower (i) to the Trustee and the Loan Servicer, the written consent of the Credit Provider or a written waiver from the Issuer of the requirement for a Credit Facility during the Fixed Rate Period, and (ii) to the other Remarketing Parties, a favorable Opinion of Bond Counsel.

The Bonds are subject to mandatory tender and purchase on each Adjustment Date, as set forth in, and in accordance with, the Indenture. See "THE BONDS — Mandatory Tender — Mandatory Tender Dates (Other Than Upon Default); Notice" below.

Optional Tender

Optional Tender. Subject to the provisions of the Indenture, during any Weekly Variable Rate Period, the Trustee will purchase any Bond (or portion of a Bond, provided that the retained portion is an Authorized Denomination) on behalf of and as agent for the Borrower, but solely from the sources provided in the Indenture, on the demand of the Beneficial Owner of such Bond. The purchase price of any Bond (or portion) tendered for purchase will be equal to 100% of the principal amount of such Bond (or portion) plus accrued interest, if any, to the date of purchase. The Beneficial Owner may demand purchase of its Bond by delivery of a Optional Tender Notice complying with the requirements set forth in the last sentence of this paragraph to the Tender Agent at its Designated Office on any Business Day. Any Optional Tender Notice received by the Tender Agent after 3:30 p.m. Eastern time on a Business Day will be treated as received at 9:00 a.m. Eastern time on the following Business Day. The date of purchase will be the date selected by the Beneficial Owner in the Optional Tender Notice; provided, however, that such date is a Business Day which is at least seven days after the date of the delivery of the Optional Tender Notice to the Tender Agent. An Optional Tender Notice complies with the requirements of the Indenture if it: (a) is accompanied by a guaranty of signature acceptable to the Tender Agent; and (b) contains the CUSIP number of the Bond, the principal amount to be purchased (or portion of a Bond, provided that the tendered portion and the retained portion is an Authorized Denomination), the name, address and tax identification number or social security number of the Beneficial Owner of the Bond demanding such payment and the purchase date.

Irrevocability of Optional Tender. By delivering an Optional Tender Notice, subject to provisions related to the Book-Entry System, the Beneficial Owner irrevocably agrees to deliver the Tendered Bond (with an appropriate transfer of registration form executed in blank and accompanied by a guaranty of signature satisfactory to the Tender Agent) to the Designated Office of the Tender Agent or any other address designated by the Tender Agent, at or prior to 10:00 a.m. Eastern Time, on the date of purchase specified in the Optional Tender Notice. Any election by a Beneficial Owner to tender a Bond or Bonds (or a portion of a Bond or Bonds) for purchase on a Business Day in accordance with the Indenture will also be binding on any transferee of the Beneficial Owner making such election.

Compliance with Optional Tender Requirements. Bonds will be required to be purchased as described above under "Optional Tender" only if the Bonds so delivered to the Tender Agent conform in all respects to the description of such Bonds in the Optional Tender Notice. The Tender Agent will determine in its sole discretion whether an Optional Tender Notice complies with the requirements of the Indenture and whether Bonds delivered conform in all respects to the description of the Bonds in the Optional Tender Notice. Such determination will be binding on the other Remarketing Notice Parties and the Beneficial Owner of the Bonds.

Untendered Bonds. If after delivery of a Optional Tender Notice to the Tender Agent the holder making such election then fails to deliver any of the Bonds described in the Optional Tender Notice as required by the Indenture, each untendered Bond or Bonds or portion thereof ("Untendered Bond" or "Untendered Bonds") described in such Optional Tender Notice will be deemed to have been tendered to the Tender Agent for purchase; in that event, to the extent that there is on deposit in the Bond Purchase Fund on the applicable purchase date an amount sufficient to pay the purchase price of such Untendered Bond, such Untendered Bond, on and after such purchase date, will cease to bear interest and will no longer be considered to be Outstanding. The Tender Agent will promptly give notice by registered or certified first class mail, postage prepaid, to each Beneficial Owner of any Bond which has been deemed to have been purchased as described in this paragraph, stating that interest on such Untendered Bond ceased to accrue on (and after) the designated date of purchase and that moneys representing the purchase price of such Untendered Bond are available against delivery of such Untendered Bond at the Designated Office of the Tender Agent. The Issuer will sign and the Trustee will authenticate and deliver for redelivery a new Bond or Bonds in replacement of such Untendered Bond not so delivered. The replacement of any such untendered Bond will not be deemed to create new indebtedness, but will be deemed to evidence the indebtedness previously evidenced by the Untendered Bond.

Mandatory Tender

Mandatory Tender Dates (Other Than Upon Default); Notice. The holders of the Bonds are required to tender their Bonds to the Tender Agent for purchase on each Mandatory Tender Date. Tendered Bonds will be purchased by the Trustee acting on behalf of and as agent for the Borrower, but solely from the sources described under "Payment and Sources of Purchase Price" below, at a purchase price equal to 100% of the principal amount of the Bonds, plus accrued interest, if any, to the applicable Mandatory Tender Date. The Owners of the Bonds may not elect to retain their Bonds. Mandatory Tender Dates include (i) each Adjustment Date (even if a proposed change in Mode fails to occur), (ii) each Substitution Date (even if a proposed substitution of an Alternate Credit Facility fails to occur), (iii) each Extension Date (on or prior to which the Trustee has not been furnished with an extension of the Credit Facility then in effect), or (iv) on and after the Conversion Date, so long as the Bonds are in the Weekly Variable Rate Mode, and so long as the Fannie Mae Credit Facility is in effect, the Liquidity Extension Date (unless the Trustee receives an extension of the Liquidity Expiration Date prior to the Liquidity Extension Date, in which case the Liquidity Extension Date shall not be a Mandatory Tender Date) or (v) any date specified by the Trustee as provided in the Indenture. The Trustee will give notice of Mandatory Tender Dates as follows:

(i) Not less than 30 days before any proposed Adjustment Date, the Trustee will give notice by first class mail, postage prepaid, to the Bondholders stating the information required to be set forth in notices pursuant to the applicable provisions of the Indenture.

(ii) Not less than 10 days before any Substitution Date, the Trustee will give notice by first class mail, postage prepaid, to the Bondholders stating (A) that an Alternate Credit Facility will be substituted for the Credit Facility then in effect, (B) the proposed Substitution Date, (C) that the Bonds are required to be tendered on the proposed Substitution Date and (D) that Bondholders will not have the right to elect to retain their Bonds.

(iii) Not less than 10 days before any Extension Date, if the Trustee has not received a binding commitment to extend the Credit Facility then in effect, or other evidence of the extension of such Credit Facility, the Trustee will give notice by first class mail, postage prepaid, to the Bondholders stating (A) the Extension Date and that no commitment to extend, or other evidence of the extension of, the Credit Facility then in effect has been received by the Trustee, (B) that such Bonds are required to be tendered on the Extension Date (unless an extension of the Credit Facility then in effect is received on or before the Extension Date), and (C) that the Bondholders will not have the right to elect to retain their Bonds if an extension of the Credit Facility then in effect is not received on or before the Extension Date.

(iv) On and after the Conversion Date, if the Fannie Mae Credit Facility is in effect, not less than 10 days before any Liquidity Extension Date, if the Trustee has not received either an extension of the Liquidity Expiration Date or a binding commitment from Fannie Mae to extend the Liquidity Expiration Date of the Fannie Mae Credit Facility, the Trustee will give notice by first class mail, postage prepaid, to the Bondholders stating: (A) the Liquidity Extension Date and that no extension of or commitment to extend the Liquidity Expiration Date then in effect has been received by the Trustee, (B) that such Bonds are required to be tendered on the Liquidity Extension Date (C) that the Bondholders will not have the right to elect to retain their Bonds if the Liquidity Expiration Date is not extended and (D) that the Bonds will not be required to be tendered if the Trustee receives an extension of the Liquidity Expiration Date prior to the Liquidity Extension Date.

No mandatory tender is required upon Conversion and replacement of the Letter of Credit with the Fannie Mae Credit Facility.

Mandatory Tender Upon Default; Notice. The Bonds are subject to mandatory tender upon receipt by the Trustee of written notice from the Credit Provider (i)(A) if the Letter of Credit is in effect, stating that the interest component will not be reinstated following a draw on the Letter of Credit and (B) directing that the Bonds be subject to Mandatory Tender or (ii)(A) if the Fannie Mae Credit Facility is in effect, stating that an Event of Default under the Reimbursement Agreement has occurred and (B) directing that the Bonds be subject to Mandatory Tender. Such Mandatory Tender will be made on the earliest practicable date after notice of tender has been given to Bondholders and will be payable solely from the sources provided in the Indenture at a purchase price equal to 100% of the principal amount of the Bonds plus accrued interest to the Mandatory Tender Date. The Owner of any Bond may not elect to retain its Bond. Immediately upon receipt by the Trustee of such written notice from the Credit Provider, the Trustee will give notice by first class mail, postage prepaid to the Owners of the Bonds stating that (a) the specified event has occurred, (b) the Bonds are required to be tendered on the Mandatory Tender Date specified in such notice, and (c) the Bondholders will not have the right to elect to retain their Bonds.

Untendered Bonds. Pursuant to the Indenture, any Bond which is not so tendered on a Mandatory Tender Date (each, an "Untendered Bond") will be deemed to have been tendered to the Tender Agent as of such Mandatory Tender Date, and, on and after such Mandatory Tender Date, will cease to bear interest and no longer will be considered to be Outstanding. In the event of a failure by an Owner to deliver its Bonds on the Mandatory Tender Date, such Owner will not be entitled to any payment (including any interest to accrue from and after the Mandatory Tender Date) other than the purchase price for such Untendered Bond, and any Untendered Bond will no longer be entitled to the benefits of the Indenture, except for the purpose of payment of the purchase price for such Untendered Bond. The Issuer will sign, and the Trustee will authenticate and deliver to the Remarketing Agent for redelivery to the purchaser, a new Bond in replacement of the Untendered Bond. Pursuant to the Indenture, the replacement of any such Untendered Bond will not be deemed to create new indebtedness, but will be deemed to evidence the indebtedness previously evidenced by the Untendered Bond.

Payment and Sources of Purchase Price. The Tender Agent will make payment for Bonds purchased at or before 4:00 p.m. Eastern time on the Mandatory Tender Date. The Trustee will pay the purchase price: (i) for Bonds purchased as described under "Mandatory Tender Dates (Other Than Upon Default); Notice," first from remarketing proceeds on deposit in the Bond Purchase Fund, second, from proceeds of a payment under the Credit Facility, and third, from funds provided by the Borrower; or (ii) for Bonds purchased as described under "Mandatory Tender Upon Default; Notice," first from proceeds of a payment under the Credit Facility, and second, from funds provided by the Borrower. See "SECURITY AND ESTIMATED SOURCES OF PAYMENT FOR THE BONDS — Credit Facility."

Remarketing Agent

Pursuant to a Remarketing Agreement, dated as of November 1, 2007 (the "Remarketing Agreement"), by and between the Remarketing Agent and the Borrower, the Remarketing Agent is required to determine the interest rates on the Bonds in accordance with the Indenture and is required to use its best efforts to remarket the Bonds in accordance with the Indenture and the Remarketing Agreement.

Redemption Provisions

The Bonds are subject to optional and mandatory redemption at the times and redemption prices set forth in the Indenture and summarized below. All redemptions must be in Authorized Denominations.

Optional Redemption. The Bonds are subject to optional redemption in whole or in part upon (i) optional prepayment of the Loan by the Borrower as permitted by the Loan Documents on any Interest Payment Date within a Weekly Variable Rate Period; (ii) on any Adjustment Date at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the Redemption Date; and (iii) on any Mandatory Tender Date, as designated by the Borrower in writing on or before such Mandatory Tender Date, at a price equal to the principal amount of Bonds redeemed, plus interest accrued on the Bonds redeemed to the dated fixed for redemption.

The principal of and accrued interest on any Bond being optionally redeemed will (i) prior to the Conversion Date and on and after the Transition Date, be paid from a Draw on the Letter of Credit, (ii) on and after the Conversion Date, be paid from an Advance under the Fannie Mae Credit Facility or (iii) if an Alternate Credit Facility is in effect, be paid from a Draw on the Alternate Credit Facility; the premium, if any, will be paid with Available Moneys from a source other than the Credit Facility and from a party other than the Credit Provider. None of the Issuer, the Credit Provider or the Loan Servicer will have any obligation to provide funds to be included in any premium. Notwithstanding any other provision of the Indenture, optional redemption of the Bonds will not be permitted unless, on or before the Redemption Date, the Trustee has on deposit Available Moneys (which must be from a source other than the Credit Facility and from a party other than the Credit Provider) in an amount sufficient to pay the premium, if any, on the Redemption Date.

Mandatory Redemption. The Bonds are subject to mandatory redemption, in whole or in part, on the earliest practicable Redemption Date for which timely notice of redemption can be given pursuant to the Indenture following the occurrence of the event requiring such redemption. The principal of and accrued interest on any Bond being mandatorily redeemed will (a) prior to the Conversion Date and on and after the Transition Date, be paid from a Draw on the Letter of Credit, (b) on and after the Conversion Date, be paid from an Advance under the Fannie Mae Credit Facility or (c) if an Alternate Credit Facility is in effect, be paid from a Draw under the Alternate Credit Facility, provided that the principal of and accrued interest on any Bond being redeemed as a result of the Pre-Conversion Loan Equalization Payment will be paid solely from a Draw on the Letter of Credit or, if an Alternate Credit Facility is in effect, will be paid solely from a Draw under the Alternate Credit Facility. Bonds will be redeemed at a redemption price equal to 100% of the principal amount of such Bonds plus accrued interest to the Redemption Date, but without premium. If the Trustee receives an amount for the mandatory redemption of Bonds which is not equal to a whole integral multiple of the Authorized Denomination, the Trustee will redeem Bonds in an amount equal to the next lowest Authorized Denomination to the amount received by the Trustee and hold any excess amount in the Redemption Account.

<u>Casualty or Condemnation</u>. The Bonds will be redeemed in whole or in part in the event and to the extent that proceeds of insurance from any casualty to, or proceeds of any award from any condemnation of, or any award as part of a settlement in lieu of condemnation of, the Development are applied in accordance with the Security Instrument to the prepayment of the Loan.

<u>After an Event of Default Under the Reimbursement Agreement</u>. The Bonds will be redeemed in whole or in part at the written direction of the Credit Provider to the Trustee (and in the amount specified by the Credit Provider if the redemption is in part) directing that the Bonds be redeemed following any Event of Default under the Reimbursement Agreement. In no event will such redemption occur later than two Business Days prior to the date, if any, that the Credit Facility terminates on account of the Credit

Provider's giving of direction to the Trustee pursuant to the provisions of the Indenture described in this paragraph to redeem all of the Bonds. Notwithstanding anything to the contrary in the Indenture, if the Credit Provider directs that the Bonds be redeemed in part, the Credit Provider may further direct on one or more other occasions that the Bonds be redeemed in whole or in part or that the Bonds be subject to mandatory tender.

Principal Reserve Fund. The Bonds will be redeemed in whole or in part as follows: (i) on each Adjustment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Adjustment Date to the Redemption Account of the Revenue Fund in accordance with the Indenture; and (ii) on any Interest Payment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Interest Payment Date to the Redemption Account as provided in the Indenture.

Pre-Conversion Loan Equalization. The Bonds will be redeemed in part in the event that the Borrower makes a Pre-Conversion Loan Equalization Payment.

Excess Loan Funds. The Bonds will be redeemed in whole or in part in the event and to the extent that the amounts on deposit in the Loan Fund are transferred to the Redemption Account pursuant to the Indenture. See APPENDIX B: "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE — Loan Fund — Transfers to Effect Certain Mandatory Redemptions of Bonds."

Sinking Fund Redemption. If the Transition Date occurs, the Bonds will be subject to mandatory sinking fund redemption on each Interest Payment Date on and after the Transition Date, if any, in the amounts set forth in the Sinking Fund Schedule provided to the Trustee by the Borrower on such Transition Date, which Sinking Fund Schedule shall provide for level debt service payments on the Bonds over their remaining term (subject to the provisions of the Indenture permitting amounts to be credited toward part or all of any one or more Sinking Fund Payments); provided that, in the event of a partial redemption of Bonds other than as described in this paragraph, the amount of each payment required under the Sinking Fund Schedule on or after the date of such redemption will be adjusted to provide for level debt service payment of such Bonds over their remaining term from and after the first Interest Payment Date following such redemption.

Notice of Redemption

For any redemption of Bonds described above (other than an optional redemption of Bonds on any Mandatory Tender Date, a mandatory redemption of Bonds described under "After an Event of Default under the Reimbursement Agreement" or "Sinking Fund Redemption" above), the Trustee will give notice of redemption by first class mail, postage prepaid, not less than ten days prior to the specified Redemption Date, to the Registered Owner of each Bond to be redeemed at the address of such Registered Owner as shown on the Bond Register. With respect to Book-Entry Bonds, if the Trustee sends notice of redemption to the Securities Depository pursuant to the Letter of Representations, the Trustee will not be required to give the notice set forth in the immediately preceding sentence. In the case of a redemption of the Bonds described under "After an Event of Default under the Reimbursement Agreement" above, the Trustee will give notice by first class mail, postage prepaid, of redemption immediately following the Trustee's receipt of the written direction of the Credit Provider. In the case of an optional redemption of Bonds, the notice of redemption will state that redemption is conditional upon receipt by the Trustee of sufficient moneys to redeem the Bonds including sufficient Available Moneys to pay any redemption premium in full (a "Conditional Redemption"), and such notice and optional redemption will be of no effect if either (a) by no later than the scheduled Redemption Date, sufficient moneys to redeem the Bonds and sufficient Available Moneys from a source other than the Credit Provider to pay any redemption premium have not been deposited with the Trustee, or if such moneys are deposited, are not Available Moneys on the Redemption Date, or (b) the Trustee at the direction of the Credit Provider rescinds such notice on or prior to the scheduled Redemption Date.

At the same time notice of redemption is sent to the Registered Owners, the Trustee will send notice of redemption by first class mail, overnight delivery service or other overnight means, postage or service prepaid (a) to the Rating Agency, (b) if the Bonds are not subject to the Book-Entry System, to certain municipal registered securities depositories (as described in the Indenture) which are known to the Trustee, on the second Business Day prior to the date the notice of redemption is mailed to the Bondholders, to be holding Bonds, and (c) at least two of the national information services (as described in the Indenture) that disseminate securities redemption notices.

The Trustee will rescind any notice of Conditional Redemption if the requirements set forth above have not been met on or before the Redemption Date or if the Trustee has received a direction to cancel the Conditional Redemption from the Credit Provider. The Trustee will give notice of rescission by the same means as is provided above for the giving of notice of redemption or by Electronic Means confirmed in writing. The redemption will be canceled once the Trustee has given notice of rescission. Any Bonds subject to a Conditional Redemption which has been cancelled will remain Outstanding, and neither the rescission nor the failure of funds being made available in part or in whole on or before the Redemption Date will constitute an Event of Default under the Indenture. Notwithstanding notice of redemption having been given in the manner provided above, any optional redemption of Bonds will be canceled with the consent of or at the direction of the Credit Provider if the Credit Provider has notified the Trustee in writing that an Event of Default under the Reimbursement Agreement has occurred.

Content of Notice

Each notice of redemption must state: (i) the date of the redemption notice; (ii) the Closing Date and the complete official name of the Bonds, including the series designation; (iii) for each Bond to be redeemed, the interest rate or that the interest rate is variable, the maturity date and in the case of a partial redemption of Bonds, the principal amount of each Bond to be redeemed; (iv) the CUSIP numbers of all Bonds being redeemed; (v) the place or places where the Bonds to be redeemed must be surrendered for payment and where amounts due upon such redemption will be payable upon surrender of the Bonds to be redeemed; (vi) the Redemption Date and redemption price of each Bond to be redeemed; (vii) the name, address, telephone number and contact person at the office of the Trustee with respect to such redemption; (viii) that interest on all Bonds to be redeemed will not accrue from and after the Redemption Date; (ix) if a redemption is a Conditional Redemption, that redemption is conditional upon receipt by the Trustee of sufficient moneys to redeem the Bonds including Available Moneys to pay any redemption premium and (x) that the Credit Provider may direct the Trustee to cancel such redemption upon the occurrence of any Event of Default under the Reimbursement Agreement.

If notice of redemption is given substantially in accordance with the Indenture and as provided above, failure of any Bondholder to receive such notice, or any defect in the notice, will not affect the redemption or the validity of the proceedings for the redemption of the Bonds.

Redemption Payments

If notice of redemption has been given and the conditions for such redemption, if applicable, have been met, the Indenture states that the Bonds called for redemption will become due and payable on the Redemption Date, interest on those Bonds will cease to accrue from and after the Redemption Date and the called Bonds will no longer be Outstanding. The holders of the Bonds so called for redemption will thereafter no longer have any security or benefit under the Indenture except to receive payment of the redemption price for such Bonds upon surrender of such Bonds to the Trustee. All moneys held by or on behalf of the Trustee for the redemption of particular Bonds will be held in trust for the account of the holders of the Bonds to be redeemed. If less than the entire principal amount of a Bond is called for redemption, the Issuer will execute, and the Trustee will authenticate and deliver, upon the surrender of such Bond to the Trustee, without charge by the Issuer or the Trustee to the Bondholder, in exchange for the unredeemed principal amount of such Bond, a new Bond or Bonds of the same interest rate, maturity and term, in any Authorized Denomination, in aggregate principal amount equal to the unredeemed balance of the principal amount of the Bond so surrendered.

Selection of Bonds to be
Redeemed Upon Partial Redemption

If less than all the Outstanding Bonds are called for redemption, the Trustee will select by lot, in such manner as it determines in its discretion the Bonds or portions of the Bonds in Authorized Denominations, to be redeemed. In the selection process (i) any Pledged Bond Outstanding will be called for redemption before any other Bonds are selected for redemption and (ii) if applicable, the Bonds with the highest interest rate will be called for redemption before any other Bonds are selected for redemption. Bonds which have previously been selected for redemption will not be deemed Outstanding. Notwithstanding the foregoing, the Securities Depository for Book-Entry Bonds will select the Bonds for redemption within particular maturities according to its stated procedures.

Purchase of Bonds in Lieu of Redemption

If the Bonds are called for redemption in whole or in part, the Bonds called for redemption may be purchased in lieu of redemption in accordance with the Indenture. Purchase in lieu of redemption will be available for all of the Bonds called for redemption or for such lesser portion of such Bonds as constitutes Authorized Denominations. The Credit Provider or the Borrower with the written consent of the Credit Provider may direct the Trustee to purchase all or such lesser portion of the Bonds so called for redemption.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (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 85 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, Government

Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, 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 Standard & Poor's highest rating: "AAA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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 Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices, 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).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or its agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct 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, Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner 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.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer, the Trustee, Fannie Mae, the Loan Servicer, the Bank, any Alternate Credit Provider, as applicable, and the Borrower. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry 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 Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

SECURITY AND ESTIMATED SOURCES OF PAYMENT FOR THE BONDS

General

For the purposes of this section, as provided in the Indenture, the term "Credit Provider" means, so long as (i) the Letter of Credit is in effect, the Bank, (ii) at such time and so long as the Fannie Mae Credit Facility is in effect, Fannie Mae or (iii) at such time as an Alternate Credit Facility is in effect, the Alternate Credit Provider then obligated under the Alternate Credit Facility.

Under the terms of the Indenture, the Bonds are secured by the Credit Facility (described under the caption "Credit Facility") and by a pledge of the Trust Estate comprised of the following:

(1) all right, title and interest of the Issuer in and to the Loan and the documentation of the Loan, including the Note, the Security Instrument and the other Loan Documents, and in and to the Financing Agreement, reserving to the Issuer, however, the Reserved Rights;

(2) all rights to receive payments on the Note and under the other Loan Documents, including all proceeds of insurance or condemnation awards;

(3) all right, title and interest of the Issuer in and to the Net Bond Proceeds (to the extent not disbursed to the Borrower in accordance with the Indenture) and the accrued interest, if any, derived from the sale of the Bonds, the Revenues and all Funds, Accounts and Investments under the Indenture (including, without limitation, moneys, documents, securities, Investments, Investment Income, instruments and general intangibles on deposit or otherwise held by the Trustee) but excluding all moneys in the Fees Account (other than Investment Income earned on moneys on deposit in the Fees Account), the Rebate Fund and the Costs of Issuance Fund (including within such exclusion Investment Income earned on amounts on deposit in the Rebate Fund);

(4) all other rights and interests in property, whether tangible or intangible, from time to time conveyed, mortgaged, pledged, assigned or transferred by delivery or by writing of any kind, to the Trustee as additional security under the Indenture for the benefit of the Bondholders and the Credit Provider, as their interest may appear; and

(5) all of the proceeds of the foregoing, including, without limitation, Investments and Investment Income (except as excluded above).

The foregoing (collectively the "Trust Estate") are pledged for the equal and proportionate benefit, security and protection of (i) all Registered Owners of the Bonds, without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds and (ii) the Credit Provider to secure the payment of all amounts owed to the Credit Provider under the Credit Facility Documents. The Trust Estate, together with the Credit Facility, comprises the Security for the Bonds. After the Conversion Date, upon any default by the Borrower under any Bond Document, any Loan Document or any Credit Facility Document, all or a portion of the funds on deposit in the Funds and Accounts (other than in the Rebate Fund, the Costs of Issuance Fund and the Fees Account) will be paid or applied as directed by the Credit Provider.

Credit Facility

In addition to the other security provided under the Indenture, the Bonds will be secured by the Letter of Credit. If Conversion occurs, the Indenture provides that the Bonds will be secured from and after the Conversion Date by the Fannie Mae Credit Facility.

Letter of Credit

As described above, in connection with the offering of the Bonds, the Bank will issue a letter of credit (defined as the "Letter of Credit") in the face amount of $15,167,672.00 of which (i) $15,000,000 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 Tendered Bonds representing the principal amount of the Tendered Bonds, and (ii) $167,672.00 (representing 34 days of interest on the maximum aggregate principal amount of Outstanding Bonds that may be issued under the Indenture calculated at the rate of 12% per annum and computed on the basis of a 365 day year) will be available to pay interest on the Bonds or to pay the portion of the purchase price of Tendered Bonds representing accrued interest on the Tendered Bonds. Drawings by the Trustee under the Letter of Credit will reduce the amounts available for subsequent drawings, subject to reinstatement as provided in the Letter of Credit. All or a portion of the amount available to be drawn under the Letter of Credit will be reinstated, following the payment by the Bank of any amount drawn by presentation of a "Liquidity Drawing," upon reimbursement of the Bank of the amount to be reinstated and delivery by the Trustee to the Bank of a certificate in the form attached to the Letter of Credit to the effect that funds for such reimbursement of the Bank have been received. In addition, the amount available to be drawn under the Letter of Credit will be reinstated automatically by the amount of each Draw for interest. The Letter of Credit expires on June 15, 2010, (the "Letter of Credit Expiration Date"), but is subject to earlier termination in certain events, including termination on the Conversion Date. The Letter of Credit is subject to extension beyond the Letter of Credit Expiration Date as provided in the Reimbursement Agreement.

For information regarding the Bank, see "THE BANK." The form of the Letter of Credit is attached hereto as APPENDIX H: "FORM OF THE LETTER OF CREDIT."

Fannie Mae Credit Facility

If Conversion occurs, Fannie Mae will deliver the Fannie Mae Credit Facility to the Trustee on, and to be effective as of, the Conversion Date. The Fannie Mae Credit Facility is expected to be a direct pay irrevocable transferable credit enhancement instrument. The Fannie Mae Credit Facility will constitute a "Credit Facility" under the Indenture and Fannie Mae will constitute a "Credit Provider" under the Indenture. For information regarding Fannie Mae, see "FANNIE MAE" herein. The anticipated form of the Fannie Mae Credit Facility is attached to this Official Statement as Appendix I.

The Fannie Mae Credit Facility will expire on December 20, 2040. Notwithstanding such expiration date, the obligation of Fannie Mae under the Fannie Mae Credit Facility to make Liquidity Advances (as defined in the Fannie Mae Credit Facility) in respect of Tendered Bonds will expire on the fifteenth (15th) anniversary of the Conversion Date (the "Liquidity Expiration Date"). The Liquidity Expiration Date will automatically extend for one additional year on the day following each anniversary of the Conversion Date beginning with the day following the first anniversary of the Conversion Date unless Fannie Mae provides written notice to the Borrower and the Trustee to the effect that no further automatic extension of the Liquidity Expiration Date shall occur, in which case the then applicable Liquidity Expiration Date shall remain unchanged. Automatic extension of the Liquidity Expiration Date will also cease to be effective from and after the first to occur of the Liquidity Termination Date (as defined in the Fannie Mae Credit Facility), the Credit Enhancement Expiration Date (as defined in the Fannie Mae Credit Facility) and the Maturity Date. Any automatic extension which would extend the Liquidity Expiration Date beyond the Maturity Date will only extend the Liquidity Date to the Maturity Date. If the Liquidity Expiration Date is not extended, the Bonds will be subject to mandatory tender in whole on the Liquidity Extension Date, which is the Business Day immediately preceding the Liquidity Expiration Date.

The Trustee is required to timely present Certificates (as defined in the Fannie Mae Credit Facility) to Fannie Mae as required by and in accordance with the Fannie Mae Credit Facility in order to receive Advances under, and as and to the extent provided in and permitted by, the Fannie Mae Credit Facility, to enable the Trustee to make timely payments to Bondholders on any date such payments are due or to purchase Bonds on any date such purchase is required under the Indenture, and for which the Fannie Mae Credit Facility provides coverage, provided that in no event may the Trustee present a Certificate for payment of any amount due in respect of any Excluded Bonds. The amount available to be drawn under the Fannie Mae Credit Facility will consist of a Principal Portion equal to the unpaid principal balance of the Bonds Outstanding and an Interest Portion for the payment of up to 34 days of interest actually accrued on the Bonds (not to exceed a maximum rate of interest on the Bonds of 12% per annum) calculated on the basis of a 365 day year.

FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE BONDS WILL ARISE ON THE CONVERSION DATE AND, THEREFORE, ONLY IF CONVERSION OCCURS. THE

OBLIGATIONS OF FANNIE MAE ARISING ON THE CONVERSION DATE WILL BE SOLELY AS PROVIDED IN THE FANNIE MAE CREDIT FACILITY. THE OBLIGATIONS OF FANNIE MAE UNDER THE FANNIE MAE CREDIT FACILITY WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER-OWNED CORPORATION, AND WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, OR ANY AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OF AMERICA, OR OF FANNIE MAE. THE BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

Alternate Credit Facility

The Credit Facility may be replaced with various other forms of credit enhancement (each an "Alternate Credit Facility"). The Trustee will accept any Alternate Credit Facility if, among other things, the Trustee receives certain opinions as to, among other things, the effect of such replacement on the tax exempt status of the Bonds and the legality, validity and enforceability of the Alternate Credit Facility. Upon substitution of any Alternate Credit Facility or termination of the Credit Facility, the Bonds will be subject to Mandatory Tender for purchase as described under the caption "THE BONDS—Mandatory Tender" herein. The Fannie Mae Credit Facility is not an Alternate Credit Facility, and the delivery of the Fannie Mae Credit Facility to the Trustee on the Conversion Date, if it occurs, will not constitute the delivery of an Alternate Credit Facility requiring a Mandatory Tender of Bonds.

Principal Reserve Fund

The Principal Reserve Fund is established pursuant to the Indenture and is to be held by the Trustee.

The Trustee will deposit or retain, as applicable, each of the following amounts into the Principal Reserve Fund (i) all of the monthly payments made by the Borrower in accordance with the Principal Reserve Schedule, as such schedule may be amended in writing, and (ii) Investment Income earned on amounts on deposit in the Principal Reserve Fund. The Trustee will pay, apply, or transfer amounts on deposit in the Principal Reserve Fund as follows:

(1) at the written direction of the Credit Provider, to the Credit Provider to reimburse the Credit Provider for any unreimbursed Draw or Advance, as applicable, under the Credit Facility and to pay any other amounts required to be paid by the Borrower under the Loan Documents, the Bond Documents or the Credit Facility Documents (including any amounts required to be paid to the Credit Provider);

(2) at the written direction of the Credit Provider, with the written consent of the Borrower (so long as an Event of Default has not occurred and is not continuing under any of the Credit Facility Documents), to the Credit Provider or the Borrower, as the Credit Provider elects, to make improvements or repairs to the Mortgaged Property;

(3) at the written direction of the Credit Provider, if a default has occurred under the Credit Facility Documents, any Loan Document or any Bond Document to, (A) the Credit Provider for any use approved in writing by the Credit Provider or (B) the redemption of the Bonds, in whole or in part;

(4) at the written direction of the Credit Provider, if a new mortgage and mortgage note have been substituted for the Security Instrument and the Note in accordance with the Loan Documents, or if the Borrower otherwise consents in writing, for any purpose approved in writing by the Credit Provider;

(5) unless, after the Conversion Date, Fannie Mae otherwise requires by written notice to the Trustee on each Adjustment Date, to the Redemption Account;

(6) during a Weekly Variable Rate Period, if the aggregate amount on deposit in the Principal Reserve Fund (excluding all Investment Income) on the tenth day of any month equals or exceeds $100,000, then all amounts on deposit in the Principal Reserve Fund in excess of the Principal Reserve Amount (which amounts will be rounded downward to the nearest integral multiple of $100,000) are to be transferred to the Redemption Account;

(7) on the Interest Payment Date following receipt by the Trustee of Investment Income on moneys in the Principal Reserve Fund, pay such Investment Income to the Borrower, provided that (A) there is no deficiency in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account or the Rebate Fund, (B) an Event of Default has not occurred under any Transaction Document and (C) the Trustee has not received written notice from the Credit Provider or, after the Conversion Date, from the Credit Provider or the Loan Servicer, to the effect that an Event of Default by the Borrower exists under any Bond Document, Credit Facility Document or any Loan Document, if a deficiency exists in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account or the Rebate Fund, the Trustee will transfer such Investment Income to the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account and/or the Rebate Fund, in that order of priority, to the extent of the deficiency, prior to any payment to the Borrower; if an Event of Default has occurred under any Bond Document, Credit Facility Document or Loan Document, the Trustee shall pay or apply such Investment Income as directed in writing by the Credit Provider.

Limited Liability

The Bonds authorized by the Indenture and all payments to be made thereon and to the various funds and accounts established under the Indenture are not general or special obligations of the Issuer but are special limited obligations payable solely from payments derived from the Trust Estate.

Enforceability of Remedies

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

THE BANK

The information under this heading has been provided solely by the Credit Provider and is believed to be reliable, but has not been verified independently by the Issuer or the Underwriter. No representation whatsoever as to the accuracy, adequacy or completeness of such information is made by the Issuer or the Underwriter.

JPMorgan Chase Bank, National Association ("the Bank") is a wholly owned bank subsidiary of JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. The Bank offers a wide range of banking services to its customers, both domestically and internationally. It is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency.

As of June 30, 2007, JPMorgan Chase Bank, National Association, had total assets of $1,252.4 billion, total net loans of $438.3 billion, total deposits of $664.1 billion, and total stockholder's equity of $98.4 billion. These figures are extracted from the Bank's unaudited Consolidated Reports of Condition and Income as at June 30, 2007, prepared in accordance with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles, which are filed with the Federal Deposit Insurance Corporation.

Additional information, including the most recent Form 10-K for the year ended December 31, 2006, of JPMorgan Chase & Co., the 2006 Annual Report of JPMorgan Chase & Co., and additional annual, quarterly and current reports filed with or furnished to the Securities and Exchange Commission by JPMorgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017.

The information contained in this section, "THE BANK," relates to and has been obtained from the Bank. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained or referred to in this section is correct as of any time subsequent to its date.

FANNIE MAE

The information under this heading has been provided solely by Fannie Mae and is believed to be reliable, but has not been verified independently by the Issuer or the Underwriter. No representation whatsoever as to the accuracy, adequacy or completeness of such information is made by the Issuer or the Underwriter.

Fannie Mae is a federally chartered and stockholder owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. 1716 et seq. Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and became a stockholder owned and privately managed corporation by legislation enacted in 1968.

Fannie Mae purchases, sells, and otherwise deals in mortgages in the secondary market rather than as a primary lender. It does not make direct mortgage loans but acquires mortgage loans originated by others. In addition, Fannie Mae issues mortgage backed securities ("MBS"), primarily in exchange for pools of mortgage loans from lenders. Fannie Mae receives guaranty fees for its guarantee of timely payment of principal of and interest on MBS certificates.

Fannie Mae is subject to regulation by the Secretary of Housing and Urban Development ("HUD") and the Director of the independent Office of Federal Housing Enterprise Oversight within HUD ("OFHEO"). Approval of the Secretary of Treasury is required for Fannie Mae's issuance of its debt obligations and MBS. The President of the United States may appoint five members of Fannie Mae's Board of Directors, and the other thirteen are elected by the holders of Fannie Mae's common stock. Since May 25, 2004, the date of Fannie Mae's most recent annual shareholder's meeting, the President has declined to exercise his authority to appoint directors, and those five Board positions will remain open unless and until the President names new appointees.

The securities of Fannie Mae are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof other than Fannie Mae.

Information on Fannie Mae and its financial condition is contained in periodic reports that are filed with the Securities and Exchange Commission (the "SEC"). The SEC filings are available at the SEC's website at www.sec.gov. The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae's web site at http://www.fanniemae.com/ir/sec or from Fannie Mae at the Office of Investor Relations at 202-752-7115.

On August 16, 2007, Fannie Mae filed its Annual Report on Form 10-K for the fiscal year ended December 31, 2006 with the SEC. Fannie Mae is not current in its SEC reporting requirements because it has not filed its Quarterly Reports on Form 10-Q for the first or second quarters of 2007.

Form 8-Ks that Fannie Mae files with the SEC prior to the completion of the offering of the Bonds are incorporated by reference into this Official Statement.

Fannie Mae makes no representation 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. Fannie Mae's role with respect to the Bonds is limited to issuing and discharging its obligations under the Credit Facility and exercising the rights reserved to it in the Indenture and the Reimbursement Agreement.

ESTIMATED PLAN OF FINANCING

The sources and uses of permanent funds for the Development are projected to be the approximate following amounts:

Sources of Funds	
Tax-Exempt Bonds	$15,000,000
Tax Credit Equity	7,402,188
Deferred Developer Fee	1,304,808
Total	$23,706,996
Uses of Funds	
Land and Buildings	$1,650,000
Construction Costs	14,907,621
Financing Costs	696,056
Development Soft Costs	3,804,725
Costs of Issuance	608,220
Developer Fee	2,040,374
Total	$23,706,996

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THE DEVELOPMENT AND THE PRIVATE PARTICIPANTS

The following information has been provided by the Borrower for use herein. While the information is believed to be reliable, none of the Issuer, the Underwriter, subject to the standard of review found on the inside cover hereof, the Bank, Fannie Mae, the Loan Servicer or any of their respective counsel, members, officers or employees make any representations as to the accuracy or sufficiency of such information.

The Development

The Development, to be known as Residences at Onion Creek, is a proposed multifamily rental community of 224 units located at 2500 Brandt Road, Austin, Texas. The net rentable area of the Development is expected to be approximately 247,752 square feet.

Development amenities are expected to include a clubhouse with offices, club room, business center, fitness center, kitchen and after school and summer care center, swimming pool, playground, gates and perimeter fencing. The Development is expected to include 501 parking spaces, including 112 detached garages. Construction of the Development is anticipated to commence in December, 2007 and be completed approximately 14 months later.

Unit amenities are expected to include garden tubs, built in shelving, patios, balconies or sun rooms, ceiling fans, covered entrances and washer/dryer connections.

The unit mix and approximate square footage for the units of the Development is anticipated to be as follows:

Number of Units	Composition	Approximate Square Footage
32	1/1	842
96	2/2	1084
88	3/2	1198
8	4/2	1415

There can be no assurance that the revenues generated by the Development ("Development Revenues") will be sufficient in the future to pay the Development's operating expenses, debt service on the Note, the fees and expenses of the Trustee, fees of the Issuer and all other obligations of the Borrower with respect to the Development, the Loan and the Bonds (collectively, the "Development Obligations"). The Borrower's ability to pay Development Obligations may be materially and adversely affected to the extent that the Borrower is unable to increase Development Revenues by increasing rents or otherwise if expenses incurred in operating the Development are higher than anticipated or if occupancy of the Development decreases.

The Borrower

The Borrower is Onion Creek Housing Partners, Ltd., a Texas limited partnership (the "Borrower"). The sole general partner of the Borrower is NDG Onion Creek, LLC, a Texas limited liability company (the "General Partner") owning a 0.01% partnership interest in the Borrower. The Borrower was formed for the sole purpose of constructing, owning and operating the Development. The Borrower and the General Partner are both part of the NuRock Group of companies ("NuRock"), which are involved in planning and design, pre-construction services, construction management services, general contracting for both new construction and renovation developments and property management, primarily in the arena of affordable housing.

Simultaneously with or prior to the issuance of the Bonds, one or more affiliates of Boston Capital Partners, Inc., a Massachusetts limited partnership (the "Investor Limited Partner") will be admitted as limited partners of, and maintain a 99.99% partnership interest in, the Borrower in exchange for providing an equity investment to the Borrower in exchange for certain economic benefits, including but not limited to, federal tax credits to be provided under Section 42 of the Code. The equity investment will provide a portion of the funds necessary for the acquisition, construction and equipping of the Development.

Subject to the Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement"), the Investor Limited Partner is expected to make equity contributions totaling approximately $7,402,188, subject to certain conditions precedent for each installment in the Partnership Agreement. The total amounts to be funded and the timing of the funding are subject to numerous adjustments and conditions which could result in the amounts funded and/or the timing or even occurrence of the funding varying significantly from the amount set forth under the "ESTIMATED PLAN OF FINANCING" section herein and neither the Issuer nor the Underwriter make any representations as to the availability of such funds. The staged funding arrangements are not expected to adversely affect the completion of the Development. The Borrower's expectations are that the funds available on the Closing Date, when combined with other funds expected to be available, will be sufficient for completion of the Development.

The Borrower has no substantial assets other than the Development and does not intend to acquire any other substantial assets or to engage in any substantial business activities other than those related to the ownership and operation of the Development. However, the above referenced affiliate(s) of the Borrower are engaged in and will continue to engage in the acquisition, development, ownership and operation of similar types of housing developments. The principal(s) of such affiliate(s) may be financially interested in, as officers, partners or otherwise, and devote substantial time to, business and activities that may be inconsistent or competitive with the interests of the Development.

The obligations and liabilities of the Borrower under the Note and the Mortgage are of a non-recourse nature (subject to certain exceptions to nonrecourse liability set forth in the Note) and are limited to the Development and moneys derived from the operation of the Development, and neither the Borrower nor its principals and members have any personal liability for payments on the Note to be applied to pay the principal of and interest on the Bonds. Furthermore, no representation is made that the Borrower has substantial funds available for the Development. Accordingly, neither the Borrower's financial statements nor those of its partners are included in this Official Statement.

A default on the Loan by the Borrower could result in a redemption of the Bonds prior to their rescheduled maturities. See "THE BONDS – Redemption Provisions."

The Contractor

The Contractor for the Development will be NuRock Construction, Ltd., a Texas limited partnership (the "Contractor"). The Contractor and its affiliated construction companies have been constructing and rehabilitating multifamily rental housing developments since 1994. The Contractor is part of the NuRock Group of companies. (See "The Borrower" above.)

Architect

The architect for the Development is Morton M. Gruber, Architects (the "Architect"). The Architect has been the principal architect for over 20 multifamily developments with an excess of 4,000 units throughout the United States.

The Manager

The Development will be managed by NuRock Management Group, LLC, a Georgia limited liability company, located in Atlanta, Georgia (the "Manager"), pursuant to a Management Agreement (the "Management Agreement"). The term of the Management Agreement is for an initial period of three years and from year to year thereafter, with the Borrower having the right to terminate on 60 days notice. The Manager will be obligated to lease, operate and manage the Development. The Manager will be paid a management fee of six percent (6.0%) of the gross receipts from the operation of the Development, beginning at completion.

The Manager and its affiliated entities have been involved in the management of multifamily housing Developments since 1995, and currently manage over 3,200 units located in Georgia, Florida and Texas.

The Trustee

The Trustee is Bank of New York Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, or its successors or assigns, or 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.

The Trustee currently serves as trustee for additional tax-exempt bond transactions, including multifamily bond transactions.

The Trustee and its affiliates may maintain banking relationships with the various parties to the transaction in the ordinary course of business.

The mailing address of Trustee is Bank of New York Trust Company, N.A., 505 North 20th Street, Suite 950, Birmingham, AL 35203.

Additional Restrictive Covenants

In connection with the Tax Credits which are expected to be allocated to the Borrower in connection with the Development, the Borrower will execute an Extended Low-Income Housing Agreement for the Development in accordance with Section 42 of the Code (the "Extended Low-Income Housing Agreement"). The Extended Low-Income Housing Agreement extends the low-income housing tax credit targeting and rent restrictions for the Development under Section 42 of the Code for at least 15 years beyond the initial 15 year compliance period, subject only to a few exceptions. The Extended Low-Income Housing Agreement will be executed by the Borrower and the Texas Department of Housing and Community Affairs before the end of the first year of the credit period (as defined in Section 42 of the Code) and will be recorded in the land records of Travis County, Texas, as a covenant running with the land. The Extended Low-Income Housing Agreement for the Development will, among other things, require that at least 100% of the residential rental units in the Development be occupied initially by tenants whose gross income is not in excess of 60% of the area median gross income, but that such tenants may remain in the units as long as their gross income subsequently remains not in excess of 140% of the area median gross income, and that the 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 the three year period following such foreclosure: (i) the eviction or termination of tenancy of a tenant without cause, or (ii) any increase in the gross rent of any such units.

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 Developments" under Section 142(d) of the Code. Section 142(d) of the Code requires that at all times during the Qualified Project Period (as defined herein) a certain percentage of the units in the Development are to be occupied by individuals with income below certain levels as provided in Section 142(d) of the Code. The "Qualified Project Period" means the period of time commencing on the first day on which 10 percent of the units in the Development are occupied and ending 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) remains outstanding; or (3) the date on which any assistance provided with respect to each such 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 be met on a continuous basis during the Qualified Project Period, and (2) all of the units in the Development 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.

Limited Recourse to Borrower

Neither the Borrower nor its respective officers, directors, associates, members or employees will be (subject to certain exceptions to nonrecourse liability set forth in the Note), personally liable for payments on the Note, the payments on which are to be applied to pay the principal of and interest on the Bonds; nor will the Borrower or the officers, directors, associates, members or employees of the Borrower (subject to certain exceptions to nonrecourse liability set forth in the Note and the Financing Agreement) be personally liable under the other documents executed in connection with the issuance of the Bonds and the making of the Loan. Furthermore, except to the extent expressly set forth herein, no representation is made that the Borrower will have substantial funds available for the Development. Accordingly, neither the Borrower's financial statements, if any, nor those of its partners, if any, are included in this Official Statement.

CERTAIN BONDHOLDERS' RISKS

The following is a summary of certain risks associated with the purchase of the Bonds. This summary is not intended to be a comprehensive list of the risk factors associated with the Bonds. The Bonds are to be payable from payments to be made by the Borrower under the Note. The Borrower's obligation to make such payments pursuant to the Financing Agreement and Note is nonrecourse and secured only by the Security Instrument. The Borrower's ability to make such payments is subject to *financial conditions applicable to the Borrower and the Mortgaged Property which may change in the future to an extent that cannot be determined at this time.*

Failure To Satisfy Conditions to Conversion

If the Final Notice of Conversion is not issued on or before the Termination Date, Conversion will not occur, and unless the term of the Letter of Credit is extended, the Bonds will be subject to mandatory tender in whole on the date which is five Business Days prior to the expiration date of the Letter of Credit. See "THE BONDS — Mandatory Tender." In addition, prior to the Conversion Date, upon the occurrence of a default under the Bank Documents (including the Bank Reimbursement Agreement), the Bank can effect a corresponding mandatory redemption of the Bonds in whole. See "THE BONDS — Redemption Provisions — Mandatory Redemption — After an Event of Default Under the Reimbursement Agreement."

Reduction in Authorized Loan Amount

The Bonds are subject to redemption in part if the Loan is prepaid in part in accordance with the Conversion Agreement. This would occur, for example, if the net income from the Development does not provide sufficient debt service coverage to support a loan amount equal to the original principal amount of the Loan. No premium will be paid in connection with any such redemption. See "THE BONDS — Redemption Provisions — Mandatory Redemption — Pre-Conversion Loan Equalization."

Early Redemption

A variety of factors described in this Official Statement will result in an early redemption of the Bonds. In addition, the Borrower, may, in the future, obtain additional financing to be secured by the Mortgaged Property, including financing that may be arranged or originated by a Fannie Mae seller/servicer. The acceleration of any additional financing by the holder or beneficiary of the instrument securing such financing will, under the terms of the Security Instrument, constitute a default under the Security Instrument and, by cross-default, a default under the Reimbursement Agreement. Any such default could, at the direction of the Credit Provider, result in a mandatory redemption or acceleration of the Bonds. The possibility of an early redemption or acceleration could affect the value of the Bonds. See "THE BONDS – Redemption Provisions" herein.

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

The Borrower has covenanted and agreed to comply with the provisions of the Code relating to the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds. The financing documents contain provisions and procedures designed to assure compliance with such covenant. See "TAX MATTERS." However, the Borrower's failure to comply with such provisions will not give rise to a redemption or acceleration of the Bonds (unless the Credit Provider determines, at its option and in its sole and absolute discretion, that such failure will constitute such a default). Consequently, interest on the Bonds may become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of Bonds by reason of the Borrower's failure to comply with the requirements of federal tax law.

In December 1999, as a part of a larger reorganization of the Internal Revenue Service ("IRS"), the IRS commenced operation of its Tax Exempt and Government Entities Division (the "TE/GE Division"), as the successor to its Employee Plans and Exempt Organizations division. The new TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. Public statements by IRS officials indicate that the number of tax-exempt bond examinations is expected to increase significantly under the new TE/GE Division. There is no assurance that an IRS examination of the Bonds will not adversely affect the market value of the Bonds.

Performance of the Development

No assurance can be given as to the future performance of the Development. The economic feasibility of the Development depends in large part upon the ability of the Borrower to attract sufficient numbers of residents and to maintain substantial occupancy at projected rent levels throughout the term of the Bonds. Failure to meet projected net operating income at the time of Conversion could result in a redemption of the Bonds in whole or in part. See "Failure to Satisfy Conditions to Conversion" and "Reduction in Authorized Loan Amount" above. Occupancy of the Development may be affected by competition from existing housing facilities (including facilities owned by affiliates of the General Partner) or from housing facilities which may be constructed in the area served by the Development (including facilities constructed by affiliates of the General Partner). Neither the Issuer nor the Underwriter has independently reviewed the feasibility of the Development and neither makes any representation that the Development will be able to generate sufficient income for the Borrower to make its debt service payments under the Note or other payment obligations of the Borrower under the Bond Documents or the Loan Documents and its operating expenses. Restrictions imposed under the Code on tenant income and the rent that can be charged could have an adverse effect on the Borrower's ability to satisfy its obligations under the Loan Documents, especially if operating expenses should increase beyond what the Borrower had anticipated. A default by the Borrower under the Financing Agreement (including the failure by the Borrower to pay on the date due any amounts required to be paid by the Borrower under the Financing Agreement), the Note, the Security Instrument, the Bank Reimbursement Agreement or the Fannie Mae Reimbursement Agreement, may result in a mandatory redemption of the Bonds. No premium will be paid on the Bonds in the event of such a redemption. See "THE BONDS — Redemption Provisions — Mandatory Redemption" and "THE DEVELOPMENT AND THE PRIVATE PARTICIPANTS."

Tax Credit Regulatory Agreement

The Borrower intends to qualify 100% of the units in the Development for low-income housing tax credits allocated to the Development ("Tax Credits") pursuant to Section 42 of the Code and will enter into a Tax Credit Regulatory Agreement with respect to such Tax Credits. The LIHTC Program imposes certain restrictions on the Development including certain rental restrictions, the primary restriction being that rents, including an allowance for utilities, for each unit in the Development may not exceed 30% of the imputed income of the tenant(s) of a unit. The tax credit rent restrictions may adversely affect the ability to increase rents in the future, including in cases where operating costs rise, since tax credit rent restrictions are based on area median income limits.

Environmental Matters

There are potential risks relating to environmental liability associated with the ownership of any property. If hazardous substances are found to be located on a property, the owners of such property may be held liable for costs and other liabilities relating to such hazardous substances. In the event of a foreclosure of the Mortgaged Property 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 Mortgaged Property on a strict liability basis and such costs might exceed the value of such property.

Vacancies

The economic feasibility of the Development depends in large part upon its being substantially occupied. Although representatives of the Borrower believe, based on an independent market study of the area where the Development is located, that a substantial number of persons currently need housing facilities such as the Development, occupancy of the Development may be affected by competition from existing housing facilities or from housing facilities which may be constructed in the area served by the Development, including new housing facilities which the Borrower, or its affiliates, may construct. While the Borrower believes the Development is needed, no assurance can be given that there may not be delays in the initial renting of the Development or difficulties in keeping it substantially occupied in future years.

Estimated Development Expenses; Management

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

The Credit Facility

The Credit Provider will issue the Credit Facility which will authorize the Trustee to demand payment under or request advances under, as applicable, the Credit Facility, in accordance with the terms and conditions set forth in the applicable Credit Facility. Such draws or requests are to be made periodically in an amount equal to the interest due on the Bonds and, in the event of the redemption, optional tender for purchase by a Bondholder, mandatory tender for purchase by a Bondholder or acceleration of the maturity of the Bonds, in an amount not to exceed the principal amount or purchase price of the Bonds to be redeemed or purchased plus accrued interest on such principal amount or purchase price. The Credit Facility is the Bondholders' expected source of payment of principal of and interest on the Bonds. Certain information with respect to the Credit Provider and the Credit Facility is included in this Official Statement under the headings "SECURITY AND EXPECTED SOURCES OF PAYMENT FOR THE BONDS — Letter of Credit" and "SECURITY AND EXPECTED SOURCES OF PAYMENT FOR THE BONDS — Fannie Mae Credit Facility," "THE BANK," "FANNIE MAE" and "APPENDIX I: PROPOSED FORM OF THE FANNIE MAE CREDIT FACILITY." Prospective purchasers of the Bonds should analyze the credit and liquidity qualifications of the Bank and, on the assumption that Conversion will occur, Fannie Mae, in making any investment decision regarding the Bonds. In the event the Credit Provider is unable to pay the principal of and interest on the Bonds as such payments become due, the Bonds will be payable solely from moneys received by the Trustee pursuant to the Note.

Risks While in Variable Rate Mode

While the Bonds are in the Weekly Variable Rate Mode (a) they are subject to optional redemption without premium and (b) the interest rate borne by the Bonds is fully floating, subject to the Maximum Rate. The Borrower has agreed to enter into Hedge Documents which, among other things, mitigate interest rate risk for the Borrower and impose certain additional obligations on the Borrower.

THE LOAN SERVICER

The following has been provided by PNC ARCS LLC (the "Loan Servicer") and none of the Borrower, the Issuer or the Underwriter, 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 Loan Servicer will perform mortgage servicing functions with respect to the Loan on behalf of and in accordance with Fannie Mae requirements. The servicing arrangements between Fannie Mae and the Loan Servicer for the servicing of the Loan are solely between Fannie Mae and the Loan 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 Loan.

The Loan Servicer will be obligated, pursuant to its arrangements with Fannie Mae and Fannie Mae's servicing requirements, to perform diligently all services and duties customary to the servicing of mortgages, as well as those specifically prescribed by Fannie Mae. Fannie Mae will monitor the Loan Servicer's performance and has the right to remove the Loan Servicer with or without cause. The duties performed by the Loan 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 Loan Servicer is in the sole and absolute discretion of Fannie Mae. The servicing arrangements between the Loan Servicer and Fannie Mae 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 Loan Servicer and Fannie Mae.

The Loan Servicer is an approved DUS seller/servicer under Fannie Mae's Delegated Underwriting and Servicing product line.

The Loan 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 Loan Servicer's role is limited to underwriting and servicing the Loan.

TAX MATTERS

In the opinion of Bond Counsel, assuming compliance with certain covenants and based upon 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 Code. The Bonds are "private activity bonds" under the Code and, therefore, interest on the Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining 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 Issuer and the Borrower have covenanted in the Indenture, the Financing Agreement and the Regulatory Agreement that they will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Indenture, the Financing Agreement and the 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, the Financing Agreement and the 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 Developments" under Section 142(d) of the Code. Section 142(d) of the Code requires that at all times during the Qualified Project Period (as defined herein) a certain percentage of the units in the Development are to be occupied by individuals with income below certain levels as provided in Section 142(d) of the Code. The "Qualified Project Period" means the period of time commencing on the first day on which 10 percent of the units in the Development are occupied and ending 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) remains outstanding; or (3) the date on which any assistance provided with respect to each such 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 Financing 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 therefor 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 Financing 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.

The Code imposes an alternative minimum tax on the "alternative minimum taxable income" of an individual, if the amount of such alternative minimum tax is greater than the amount of such individual's regular income tax. Generally, the alternative minimum tax rate for individuals is 26 percent of such taxable excess as does not exceed $175,000 plus 28 percent of so much of such taxable excess as exceeds $175,000. The Code also imposes a 20 percent alternative minimum tax on the "alternative minimum taxable income" of a corporation, if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of an individual or corporation will include items of tax preference under the Code, such as the amount of interest received on "private activity bonds," such as the Bonds, issued after August 7, 1986. Accordingly, Bond Counsel's opinion will state that interest on the Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations and the environmental tax imposed on corporations.

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. 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.

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 INTERNAL REVENUE SERVICE (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.

LEGAL MATTERS

The authorization, issuance, sale and delivery of the Bonds by the Issuer to the Underwriter are subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Vinson & Elkins L.L.P., Bond Counsel.

Certain legal matters will be passed upon for the Bank by Gardere Wynne Sewell & Riggs, L.L.P., for Fannie Mae by its Legal Department and by Arent Fox LLP, Washington, D.C., for the Borrower by Arnall Golden Gregory LLP, Atlanta, Georgia and Locke Liddell & Sapp PLLC, Austin, Texas and for the Underwriter by Eichner & Norris PLLC, Washington, D.C.

NO LITIGATION

The Issuer

At the time of delivery of the Bonds, the Issuer will deliver a certificate to the effect that, to the knowledge of the authorized officer of the Issuer, no litigation is pending or, to the best of its knowledge, threatened against the Issuer (a) to restrain or enjoin the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued, or the pledge or application of any money or security provided for the payment of the Bonds, or (b) which questions the validity of any of the Indenture, the Financing Agreement, the Regulatory Agreement or the Bonds.

The Borrower

There is not now pending or, to the knowledge of the Borrower, threatened any proceeding or litigation against the Borrower affecting the ability of the Borrower to enter into or deliver the Financing Agreement or the Regulatory Agreement, seeking to restrain or enjoin the Borrower's execution and delivery of the agreements described in this Official Statement, or contesting the existence of powers of the Borrower with respect to the transactions described in this Official Statement.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee, the Issuer and the Owners of the Bonds upon an Event of Default under the Financing Agreement, the Regulatory Agreement or the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, including specifically the Bankruptcy Code, the remedies provided for under the Bankruptcy Code, the Financing Agreement, the Regulatory Agreement or the Indenture may not be readily available or may be limited.

In addition, the Financing Agreement and the Regulatory Agreement both provide that the obligations of the Borrower contained in such agreements (other than certain obligations to the Issuer and the Trustee individually and not on behalf of the Owners of the Bonds) will be special limited obligations payable solely from the income and assets of the Borrower, and that no general or limited partner of the Borrower will have any personal liability for the satisfaction of any obligation of the Borrower under such agreements or of any claim against the Borrower arising out of such agreements or the Indenture.

The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the State and the United States of America and bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

The Indenture provides that, among other things, absent a Wrongful Dishonor, the Credit Provider itself or Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding, but only with the prior written consent of the Credit Provider, will have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the Indenture.

The Assignment also assigns certain Assigned Rights to the Credit Provider which would permit it to direct virtually all remedial proceedings, absent a Wrongful Dishonor.

CONTINUING DISCLOSURE

During the time the Bonds bear interest at a Weekly Variable Rate pursuant to the Indenture, the Bonds are exempt from the continuing disclosure requirements of Securities Exchange Commission Rule 15c2-12(b)(5). Accordingly, no continuing disclosure with respect to the Bonds, the Borrower, the Bank, Fannie Mae or the Issuer will be provided to the owners of the Bonds so long as the Bonds bear interest at a Weekly Variable Rate. Pursuant to the Financing Agreement, the Borrower covenanted and agreed that on and after adjustment of the Bonds to a Reset Rate, or the Fixed Rate it will comply with and carry out all of the provisions of a continuing disclosure agreement.

RATINGS

The Bonds have received the rating set forth on the cover page hereof from the Rating Agency based on the Letter of Credit. Any desired explanation of the significance of the rating should be obtained from the Rating Agency. Following Conversion, the Rating Agency may change the rating to reflect Fannie Mae's credit enhancement and liquidity support for the Bonds. The Underwriter will confirm, prior to the date the Trustee mails the notice to the Bondholders of the Conversion Date, the rating to be in effect with respect to the Bonds from and after the Conversion Date. Certain information and materials not included in this Official Statement were furnished to the Rating Agency. Generally, rating agencies base their rating on the information and materials so furnished and on investigations, studies, and assumptions by the rating agencies. The rating is 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 Underwriter nor the Issuer has undertaken responsibility either to bring to the attention of the Owners of the Bonds any proposed revision or withdrawal of the rating 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 effect on the market price of the Bonds if an Owner attempts to sell the same.

UNDERWRITING

Merchant Capital, L.L.C. (the "Underwriter") has agreed to purchase the Bonds at a price of 100% of the principal amount thereof and will be paid an underwriter's fee in an amount equal to $139,500, inclusive of its fees and expenses. The Underwriter has agreed to purchase all of the Bonds, if any are purchased. The initial public offering price may be changed from time to time by the Underwriter.

The Underwriter 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 in the immediately preceding paragraph.

The Underwriter has also been retained to serve as remarketing agent for the Bonds and will be paid an on-going remarketing fee for those services.

The Borrower has agreed to indemnify the Issuer and the Underwriter with respect to information in the Official Statement relating to the Borrower, the Development, and the description of the sources and uses of funds.

MISCELLANEOUS

This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. Any statements in this Official Statement 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 between the Issuer and the purchasers or owners of any of the Bonds. The use of this Official Statement has been duly approved by the Issuer and the Borrower.

This Official Statement has been duly authorized, executed and delivered by the Borrower and the Issuer.

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[BORROWER SIGNATURE PAGE TO OFFICIAL STATEMENT]

ONION CREEK HOUSING PARTNERS, LTD.,
a Texas limited partnership

By: NDG ONION CREEK, LLC, a Texas limited liability company, its general partner

By: /s/ Robert G. Hoskins
Robert G. Hoskins, Manager

APPENDIX A

SUMMARY OF CERTAIN DEFINITIONS

The following summary of the definitions contained in the various documents entered into with respect to the Bonds is a summary only and does not purport to be a complete statement of the contents thereof. Reference is made to the full text of the documents described herein for the complete terms thereof.

"*Account*" means an account established within a Fund.

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

"*Act of Bankruptcy*" means any proceeding instituted under the Bankruptcy Code or other applicable insolvency law by or against the Issuer.

"*Adjustment Date*" means any date on which the interest rate on the Bonds is adjusted to a different Mode or to a different Reset Rate. An Adjustment Date may only occur on an Interest Payment Date or, if such date is not a Business Day, the following Business Day. Each Reset Date and the Fixed Rate Adjustment Date are Adjustment Dates.

"*Advance*" means an advance made under the Credit Facility.

"*Affiliate*" as applied to any person, means any other person directly or indirectly controlling, controlled by, or under common control with, that person. For the purposes of this definition, "control" (including with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that person, whether through the ownership of voting securities, partnership interests or by contract or otherwise.

"*Alternate Credit Facility*" means a letter of credit (whether or not so named and including any Substitute Letter of Credit), surety bond, insurance policy, standby bond purchase agreement, credit enhancement instrument, collateral purchase agreement, mortgage backed security or similar agreement, instrument or facility provided in accordance with the Financing Agreement and satisfying the requirements of the Indenture; notwithstanding the foregoing, none of the Letter of Credit (including any extension or renewal of the Letter of Credit), the Fannie Mae Credit Facility or any Replacement Credit Facility is an "Alternate Credit Facility."

"*Alternate Credit Provider*" means the provider of an Alternate Credit Facility (in its capacity as provider of the Fannie Mae Credit Facility, Fannie Mae is not an Alternate Credit Provider).

"*Asset Oversight Agent*" means the Asset Oversight Agent selected by the Issuer, initially, the Texas Department of Housing and Community Affairs.

"*Asset Oversight Agent's Fee*" has the meaning given to such term in the Asset Oversight Agreement.

"*Asset Oversight Agreement*" means the Asset Oversight Agreement dated as of November 1, 2007, between the Borrower and Asset Oversight Agent as the same may be supplemented or amended from time to time.

"*as their interests may appear*" or "*as its interest may appear*" means, with reference to any of the Assigned Rights and exclusive of the Reserved Rights of the Issuer, the respective interests, of the Bank, of the Trustee and, on and after the Conversion Date, of Fannie Mae, to such documents and rights as set forth in the Assignment.

"*Assigned Rights*" has the meaning given to that term in the Assignment.

"*Assignment*" means the Assignment and Intercreditor Agreement, dated as of the date of the Indenture, among the Issuer, the Trustee and the Bank, and acknowledged and agreed to by the Borrower, as it may be amended, supplemented or restated from time to time.

"*Authorized Bank Representative*" means any person from time to time designated to act on behalf of the Bank by written certificate furnished by the Bank (i) to the Issuer, (ii) to the Trustee and (iii) prior to the Transition Date, to the Loan Servicer and Fannie Mae, with a copy to the Borrower. Such certificate must contain the specimen signature of the person authorized to act on behalf of the Bank by resolution or other appropriate action of the Board of Directors of the Bank or by its bylaws. Such resolution or other appropriate action may designate an alternate or alternates who shall have the same authority, duties and powers as the Authorized Bank Representative. The Trustee may conclusively presume that a person designated as an Authorized Bank Representative in a written certificate filed with the Trustee is an Authorized Bank Representative until such time as the Bank files with the Trustee and with (i) the Issuer and (ii) the Loan Servicer (on and after the Conversion Date) and the Credit Provider and (iii) prior to the Transition Date, the Loan Servicer and Fannie Mae (with a copy to the Borrower), a written certificate identifying a different person or persons to act in such capacity.

"*Authorized Denomination*" means during any Weekly Variable Rate Period, $100,000 or any integral multiple of $5,000 in excess of $100,000.

"*Available Moneys*" means, as of any date of determination, any of (i) the proceeds of the Bonds; (ii) remarketing proceeds received from the Remarketing Agent or any purchaser of Bonds (other than funds provided by the Borrower, the Issuer, any Affiliate of either the Borrower or the Issuer or any guarantor of the Loan) that have not been commingled with other Funds that do not constitute Available Moneys; (iii) moneys received by the Trustee pursuant to a Draw or Advance, as applicable, on the Credit Facility that have not been commingled with other Funds that do not constitute Available Moneys; (iv) any other amounts, including the proceeds of refunding bonds, for which, in each case, the Trustee has received an Opinion of Counsel acceptable to the Rating Agency to the effect that the use of such amounts to make payments on the Bonds would not violate Section 362(a) of the Bankruptcy Code (or that relief from the automatic stay provisions of such Section 362(a) would be available from the bankruptcy court) or be avoidable as preferential payments under Section 544, 547 or 550 of the Bankruptcy Code should the Issuer or the Borrower, an affiliate thereof or a guarantor become a debtor in proceedings commenced under the Bankruptcy Code; (v) moneys paid by the Credit Provider for the purchase of Bonds in lieu of Redemption pursuant to the Indenture; and (vi) Investment Income derived from the investment of moneys described in clause (i), (ii), (iii), (iv) or (v).

"*Bank*" means JPMorgan Chase Bank, N.A., provided that at any time that an Alternate Credit Facility is in effect prior to the Conversion Date, each reference to the "Bank" will, prior to the Conversion Date, mean the Alternate Credit Provider which provided such Alternate Credit Facility.

"*Bank Assignment*" means, if Conversion occurs, the Assignment of Rights and Interests, dated as of the Conversion Date, from the Bank to Fannie Mae, and acknowledged and agreed to by the Borrower and the Trustee, as it may be amended, supplemented or restated from time to time.

"*Bank Documents*" means, individually and collectively, the Conversion Agreement, the Letter of Credit, the Bank Reimbursement Agreement, the Bank Pledge Agreement and all other documents evidencing, securing or otherwise relating to the Letter of Credit, including all amendments, supplements and restatements of such documents.

"*Bank Pledge Agreement*" means that certain Pledge Agreement, dated as of November 1, 2007, executed by the Borrower in favor of the Bank with respect to any Pledged Bond, as such agreement may be amended, modified, or restated from time to time, or, if an Alternate Credit Facility is in effect, any pledge agreement associated with such Alternate Credit Facility.

"*Bank Reimbursement Agreement*" means that certain Reimbursement and Bridge Loan Agreement, dated as of November 1, 2007, between the Borrower and the Bank, as such agreement may be amended, modified, or restated from time to time, or, if an Alternate Credit Facility is in effect, any reimbursement agreement associated with such Alternate Credit Facility.

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

"*Beneficial Owner*" means, for any Bond which is held by a nominee, the beneficial owner of such Bond.

"*Bond*" or "*Bonds*" means the Issuer's Variable Rate Demand Multifamily Housing Revenue Bonds (Residences at Onion Creek) Series 2007 in the original aggregate principal amount of $15,000,000.

"*Bond Counsel*" means Vinson & Elkins L.L.P. or any firm selected by the Issuer of nationally recognized bond counsel, experienced in tax exempt private activity bond financing.

"*Bond Documents*" means the Assignment, the Bond Purchase Agreement, the Bonds, the Credit Facility, the Disclosure Agreement, if any, Financing Agreement, the Indenture, the Regulatory Agreement (and any other agreement relating to rental restrictions on the Mortgaged Property), the Remarketing Agreement, any Tender Agent Agreement, Tax Certificate, and, if Conversion occurs, the Bank Assignment, and all other documents, instruments and agreements executed and delivered in connection with the issuance, sale, delivery and/or remarketing of the Bonds, as each such document, agreement or instrument may be amended, supplemented or restated from time to time.

"*Bond Purchase Agreement*" means the Bond Purchase Agreement, dated December 3, 2007, among the Underwriter, the Issuer and the Borrower.

"*Bond Purchase Fund*" shall have the meaning given to such term in the Indenture.

"*Bond Register*" means the Bond Register maintained by the Trustee pursuant to the Indenture.

"*Bondholder*," "*holder*," "*Owner*," "*owner*," "*Registered Owner*" or "*registered owner*" means, with respect to any Bond, the owner of the Bond as shown on the Bond Register.

"*Book-Entry Bonds*" means that part of the Bonds for which a Securities Depository or its nominee is the Bondholder.

"*Book-Entry System*" means an electronic system in which the clearance and settlement of securities transactions is made through electronic book-entry changes.

"*Borrower*" means Onion Creek Housing Partners, Ltd., a Texas limited partnership (together with its successors and assigns).

"*Borrower's Tax Certificate*" means, the Borrower's Tax Certificate delivered to the Issuer by the Borrower on the Closing Date.

"*Business Day*" means any day other than (i) a Saturday or a Sunday, (ii) any day on which banking institutions located in the City of New York, New York are required or authorized by law or executive order to close, (iii) any day on which banking institutions located in the city or cities in which the Designated Office of (A) the Trustee or (B) the Remarketing Agent is located are required or authorized by law or executive order to close, (iv) prior to the Fixed Rate Adjustment Date, a day on which the New York Stock Exchange is closed, (v) on or after the Conversion Date, a day on which banking institutions located in the city in which the Designated Office of the Loan Servicer is located are required or authorized by law or executive order to close or (vi) so long as a Credit Facility is in effect, one of the following: (A) prior to the Conversion Date and from and after the Transition Date, any day on which the office of the Credit Provider responsible for making payments under the Letter of Credit or the office of the Alternate Credit Facility Provider responsible for making payments under any Alternate Credit Facility is closed or (B) from and after the Conversion Date, any day on which the Credit Provider is closed.

"*Capitalized Funds Account*" means the Capitalized Funds Account of the Loan Fund.

"*Certificate of Borrower*" means, if Conversion occurs, the Certificate of Borrower, dated the Conversion Date, required by Fannie Mae, as it may be amended, supplemented or restated from time to time; the Certificate of Borrower shall be substantially in the form of Exhibit G to the Conversion Agreement with such changes as shall be required by Fannie Mae.

"*Closing Date*" means the date on which the Bonds are issued and delivered in exchange for the proceeds representing the purchase price of the Bonds paid by the original purchaser(s) thereof.

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

"*Conditional Redemption*" means a redemption where the Trustee has stated in the notice of redemption that the redemption is conditioned upon deposit of funds as further described under "THE BONDS — Notice of Redemption."

"*Conditions to Conversion*" will be the final conditions for Conversion under and as defined in the Conversion Agreement.

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

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

"*Conversion Agreement*" means the Conversion Agreement, dated as of November 1, 2007, by and among Fannie Mae, the Loan Servicer and the Bank, and acknowledged, accepted and agreed to by the Borrower, as such agreement may be amended, supplemented or restated from time to time.

"*Conversion Date*" means the date of Conversion pursuant to the Conversion Agreement.

"*Costs of Issuance*" means all items of expense related to the authorization, sale, issuance and delivery of the Bonds, as described in 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, Bank's Counsel, Fannie Mae's counsel and Loan 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 fees 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, 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 Bonds, 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 Closing Date to pay Costs of Issuance.

"*Costs of Issuance Fund*" means the Costs of Issuance Fund created by the Indenture.

"*Credit Facility*" means (i) prior to the Conversion Date and on and after the Transition Date, the Letter of Credit, (ii) from and after the Conversion Date, the Fannie Mae Credit Facility and (iii) at such time as an Alternate Credit Facility is in effect, the Alternate Credit Facility.

"*Credit Facility Account*" means the Credit Facility Account of the Revenue Fund.

"*Credit Facility Documents*" means, (i) prior to the Conversion Date and on and after the Transition Date, the Bank Documents and (ii) from and after the Conversion Date, the Fannie Mae Reimbursement Agreement, the Fannie Mae Pledge Agreement, the Certificate of Borrower, all Collateral Agreements (as that term is defined in the Fannie Mae Reimbursement Agreement), the Hedge Documents, the Fannie Mae Hedge Security Agreement, the Fannie Mae Hedge Reserve Escrow Account and Security Agreement and all other agreements and documents securing Fannie Mae or otherwise relating to the provision of the Fannie Mae Credit Facility, as any such agreement may be amended, supplemented or restated from time to time. Any Forward Commitment Deposit Fee Instrument (as that term is defined in the Conversion Agreement) is not a Credit Facility Document.

"*Credit Provider*" means, during the period that (i) the Letter of Credit is in effect, the Bank, (ii) the Fannie Mae Credit Facility is in effect, Fannie Mae or (iii) any Alternate Credit Facility is in effect, the Alternate Credit Provider then obligated under the Alternate Credit Facility.

"*Development*" means the acquisition, construction and equipping of the multifamily residential rental housing project known as Residences at Onion Creek owned by the Borrower and located in Austin, Travis County, Texas to be financed in part with the proceeds of the Loan.

"*Development Costs*" 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 Owner'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.

"*Draw*" means a payment under the Letter of Credit or any Alternate Credit Facility.

"*DTC*" means The Depository Trust Company and any successor to it or any nominee of it.

"*DTC Participant*" has the meaning given to that term under "THE BONDS — Book-Entry Only System."

"*Electronic Means*" means a facsimile transmission or any other electronic means of communication approved in writing by the Credit Provider and the Trustee.

"*Event of Default*" means, as used in any Transaction Document, any event described in that document as an Event of Default. Any "Event of Default" as described in any Transaction Document is not an "Event of Default" in any other Transaction Document unless that other Transaction Document specifically so provides.

"*Excluded Bonds*" means, collectively, any Bonds which are not Outstanding and any Bonds which at any time constitute Pledged Bonds or Obligor Bonds.

"*Extension Date*" means, with respect to the Letter of Credit or any Alternate Credit Facility, the date which is five Business Days prior to the date of expiration of the Letter of Credit or the Alternate Credit Facility, as applicable.

"*Extraordinary Trustee Costs*" means reasonable compensation to the Trustee for extraordinary services and/or reimbursement for reasonable extraordinary costs and expenses, including reasonable fees and expenses of counsel to the Trustee.

"*Fannie Mae*" means Fannie Mae, a corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C., § 1716 et seq., and its successors and assigns.

"*Fannie Mae Commitment*" means Fannie Mae's Commitment to the Loan Servicer, pursuant to which Fannie Mae has agreed, upon satisfaction of the terms and conditions set forth in the Fannie Mae Commitment, to provide credit enhancement and liquidity support for the Bonds effective as of the Conversion Date.

"*Fannie Mae Credit Facility*" means, on and after the Conversion Date, the Direct Pay Irrevocable Transferable Credit Enhancement Instrument, dated the Conversion Date, issued by Fannie Mae to the Trustee, as such Credit Enhancement Instrument may be amended, supplemented or restated from time to time; the Fannie Mae Credit Facility will be in substantially the form provided as an exhibit to the Conversion Agreement, with such changes as will be required by Fannie Mae or the Rating Agency in order to achieve a rating on the Bonds in the Highest Rating Category of the Rating Agency.

"*Fannie Mae Hedge Reserve Escrow Account and Security Agreement*" means, on and after the Conversion Date, the Hedge Reserve Escrow Account and Security Agreement, dated as of the Conversion Date; among the Borrower, the Loan Servicer and Fannie Mae which will be in substantially the form of an exhibit to the Conversion Agreement, with such changes as will be approved or required by Fannie Mae.

"*Fannie Mae Hedge Security Agreement*" means, on and after the Conversion Date, the Hedge Security Agreement, dated as of the Conversion Date, among the Borrower, the Loan Servicer and Fannie Mae which will be in substantially the form of an exhibit to the Conversion Agreement, with such changes as will be approved or required by Fannie Mae.

"*Fannie Mae Pledge Agreement*" means, on and after the Conversion Date, the Amended and Restated Pledged Bonds Custody and Security Agreement, dated as of the Conversion Date, among the Borrower, the Trustee, as custodian and collateral agent for Fannie Mae, and Fannie Mae, as such agreement may be amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor; the Fannie Mae Pledge Agreement will be in substantially the form provided as an exhibit to the Conversion Agreement, with such changes as will be approved or required by Fannie Mae.

"*Fannie Mae Reimbursement Agreement*" means, on and after the Conversion Date, the Amended and Restated Reimbursement Agreement, dated as of the Conversion Date, between Fannie Mae and the Borrower, as it may be amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor; the Fannie Mae Reimbursement Agreement will be substantially in the form provided as an exhibit to the Conversion Agreement, with such changes as will be approved or required by Fannie Mae.

"*Fees Account*" means the Fees Account of the Revenue Fund.

"*Fees and Expenses*" means the fees, advances, out-of-pocket expenses, costs and other charges payable by the Borrower from time to time pursuant to the Financing Agreement.

"*Financing Agreement*" means the Financing Agreement, dated as of November 1, 2007, by and among the Issuer, the Trustee and the Borrower, as amended, modified, supplemented or restated from time to time.

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

"*Fixed Rate Adjustment Date*" means the date on which the interest rate on the Bonds adjusts from the Weekly Variable Rate or a Reset Rate to the Fixed Rate pursuant to the Indenture.

"*Fixed Rate Period*" means the period beginning on the Fixed Rate Adjustment Date and ending on the last stated Maturity Date of the Bonds.

"*Fund*" means any fund created by the Indenture.

"*Government Obligations*" means direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, the full faith and credit of the United States of America.

"*Hedge Documents*" has the meaning given that term in the Fannie Mae Hedge Security Agreement.

"*Highest Rating Category*" has the meaning, with respect to an Investment, given in this definition. If the Bonds are rated by a Rating Agency, the term "Highest Rating Category" means, with respect to an Investment, that the Investment is rated by each Rating Agency in the highest rating given by that Rating Agency for that general category of security. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the term "Highest Rating Category" means, with respect to an Investment, that the Investment is rated by S&P in the highest rating given by that rating agency for that general category of security. By way of example, the Highest Rating Category for tax-exempt municipal debt established by S&P is "AA-A-1+" for debt with a term of three years or less and "AAA" for a term greater than three years. If at any time (i) the Bonds are not rated, (ii) both S&P and Moody's rate an Investment and (iii) one of those ratings is below the Highest Rating Category, then such Investment will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency. For example, an Investment rated "AAA" by S&P and "Aa3" by Moody's is rated in the Highest Rating Category. If, however, the lower rating is more than one full rating category below the Highest Rating Category of that rating agency, then the Investment will be deemed to be rated below the Highest Rating Category. For example, an Investment rated "AAA" by S&P and "A1" by Moody's is not rated in the Highest Rating Category.

"*Indenture*" means the Trust Indenture, between the Issuer and the Trustee, dated as of November 1, 2007, as amended, supplemented or restated from time to time.

"*Interest Account*" means the Interest Account of the Revenue Fund.

"*Interest Payment Date*" means (i) during any Weekly Variable Rate Period, the 15th day of each calendar month commencing December 15, 2007, with respect to the initial Weekly Variable Rate Period, (ii) during any Reset Period and during the Fixed Rate Period each June 15 and December 15 following the Adjustment Date, provided that the first Interest Payment Date during any such period may only occur on a date which is at least 30 days after the Adjustment Date, (iii) each Adjustment Date, (iv) for Bonds subject to redemption in whole or in part on any date, the date of such redemption, (v) the Maturity Date and, if the Bonds are adjusted to the Fixed Rate, each Sinking Fund Payment Date prior to the Maturity Date and (vi) for all Bonds, any date determined pursuant to the Indenture.

"*Interest Requirement*" means during the Weekly Variable Rate Period, 34 days interest on the Bonds at the Maximum Rate on the basis of a 365-or 366-day year, as applicable, for the actual number of days elapsed; or such other number of days as may be required by the Rating Agency in writing.

"*Investment*" means any Permitted Investment and any other investment held under the Indenture that does not constitute a Permitted Investment.

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

"*Investor Limited Partner*" means Boston Capital Corporate Tax Credit Fund XXIX, A Limited Partnership, a Massachusetts limited partnership

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

"*Issuer Administration Fee*" means the fee payable annually in arrears to the Issuer on each November 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 Closing Date, the Borrower will pay the Issuer Administration Fee in advance to the Issuer for the period from the Closing Date to October 31, 2009; and provided further that the Trustee will remit to the Issuer, from funds provided by the Borrower, all payments of the Issuer Administration Fee due on or after November 1, 2009.

"*Issuer Compliance Fee*" means the fee payable annually in advance to the Issuer on each November 1, commencing November 1, 2008, in the amount of $40 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 Closing Date, the Borrower will pay the Issuer Compliance Fee to the Issuer for the period from November 1, 2008 to October 31, 2009; 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 November 1, 2009.

"*Issuer Documents*" means the Assignment, the Issuer's endorsement of the Note, the Financing Agreement, the Indenture, the Loan Documents to which the Issuer is a party and the Regulatory Agreement.

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

"*Letter of Credit*" means Irrevocable Transferable Letter of Credit issued and delivered by the Bank on the Closing Date, for the benefit of the Trustee, to provide credit enhancement and liquidity support for the Bonds, any amendment, modification or restatement of such letter of credit, any replacement letter of credit, any confirming letter or credit and any renewal(s) or extension(s) of any such letter of credit; and, upon the expiration or termination of the Letter of Credit and the issuance and delivery of a Substitute Letter of Credit which meets the requirements of a Credit Facility under the Indenture, "Letter of Credit" shall mean the Substitute Letter of Credit. At such time as an Alternate Credit Facility is in effect, each reference to the Letter of Credit shall mean such Alternate Credit Facility.

"*Letter of Credit Expiration Date*" means June 15, 2010, subject to extension in accordance with the Bank Reimbursement Agreement.

"*Letter of Credit Fee*" means the fees owed to the Credit Provider by the Borrower pursuant to the Bank Reimbursement Agreement.

"*Letter of Representations*" means when all the Bonds are Book-Entry Bonds, the Letter of Representations executed by the Issuer and the Trustee and delivered to the Securities Depository, as amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

"*Liquidity Advance*" means, on and after the Conversion Date, solely with respect to the Fannie Mae Credit Facility, an Advance by Fannie Mae under the Fannie Mae Credit Facility to pay principal of, plus accrued interest on, any Bonds which are the subject of an Optional Tender.

"*Liquidity Expiration Date*" has the meaning given that term in the Fannie Mae Credit Facility, subject to certain provisions of the Fannie Mae Credit Facility. The Liquidity Expiration Date may be extended from time to time in accordance with the Fannie Mae Reimbursement Agreement.

"*Liquidity Extension Date*" means, on and after the Conversion Date, solely with respect to the Fannie Mae Credit Facility, the date that is one Business Day prior to the Liquidity Expiration Date.

"*Loan*" means the loan made by the Issuer to the Borrower pursuant to the Financing Agreement for the purpose of providing funds to the Borrower to finance the development costs of the acquisition, construction and equipping of the Mortgaged Property.

"*Loan Documents*" means, collectively, the Note, the Security Instrument and all other documents, agreements and instruments evidencing, securing or otherwise relating to the Loan, as each such document, agreement or instrument may be amended, supplemented or restated from time to time. Neither the Financing Agreement nor the Regulatory Agreement is a Loan Document and neither document is secured by the Security Instrument.

"*Loan Fund*" means the Loan Fund created by the Indenture.

"*Loan Servicer*" means the multifamily mortgage loan servicer designated from time to time by Fannie Mae. The initial Loan Servicer shall be PNC ARCS LLC, a Delaware limited liability company.

"*Mandatory Tender*" means a mandatory tender of Bonds pursuant to the Indenture. A "Mandatory Tender" includes any tender required (i) because of a change in Mode, (ii) because of the substitution of a new Credit Facility for the Credit Facility then in effect, (iii) because of the expiration of an Alternate Credit Facility, or (iv) on and after the Conversion Date because of the (A) expiration of the Liquidity Commitment or (B) receipt by the Trustee of written notice from Fannie Mae stating that an Event of Default under the Fannie Mae Reimbursement Agreement has occurred and directing that the Bonds be subject to Mandatory Tender.

"*Mandatory Tender Advance*" means, on and after the Conversion Date, an Advance under the Fannie Mae Credit Facility to pay principal of, plus accrued interest on, any Bonds due as a result of a Mandatory Tender.

"*Mandatory Tender Date*" means any date on which Bonds are required to be tendered pursuant to the Indenture, including (i) each Adjustment Date (even if a proposed change in Mode fails to occur), (ii) each Substitution Date (even if a proposed substitution of an Alternate Credit Facility fails to occur), (iii) each Extension Date (on or prior to which the Trustee has not been furnished with an extension of the Credit Facility then in effect), or (iv) on and after the Conversion Date, so long as the Bonds are in the Weekly Variable Rate Mode, and so long as the Fannie Mae Credit Facility is in effect, the Liquidity Extension Date (unless the Trustee receives an extension of the Liquidity Expiration Date prior to the Liquidity Extension Date, in which case the Liquidity Extension Date shall not be a Mandatory Tender Date) or (v) any date specified by the Trustee as provided in the Indenture.

"*Maturity Date*" means December 15, 2040.

"*Maximum Rate*" means 12% per annum; provided, however, that the Maximum Rate may be increased if the Trustee receives (i) the written consent of the Credit Provider and the Borrower to a specified higher Maximum Rate not to exceed the lesser of the maximum rate permitted by law to be paid on the Bonds and the maximum rate chargeable on the Loan, (ii) an Opinion of Bond Counsel to the effect that such higher Maximum Rate is permitted by law and will not adversely affect either the validity of the Bonds or the exclusion of the interest payable on the Bonds from gross income for federal income tax purposes, and (iii) a new or amended Credit Facility in an amount equal to the sum of (A) the then outstanding principal amount of the Bonds and (B) the new Interest Requirement calculated using the new Maximum Rate.

"*Mode*" means any of the Weekly Variable Rate, the Reset Rate and the Fixed Rate.

"*Moody's*" means Moody's Investors Service, Inc., a Delaware corporation, and its successors and assigns, or if it is dissolved or no longer assigns credit ratings, then any other nationally recognized statistical rating agency, designated by the Credit Provider, as assigns credit ratings.

"Mortgaged Property" means the real property described in the Security Instrument, together with all improvements, fixtures and personal property (to the extent of the Borrower's interest in all such property) and located on such real property.

"Net Bond Proceeds" means the total proceeds derived from the issuance, sale and delivery of the Bonds, representing the total purchase price of the Bonds, including any premium paid as part of the purchase price of the Bonds, but excluding the accrued interest, if any, on the Bonds paid by the initial purchaser(s) of the Bonds.

"No-Arbitrage Certificate" means the No-Arbitrage Certificate delivered by the Issuer on the Closing Date, relating to certain federal income tax matters with respect to the Bonds.

"Note" means the Multifamily Note (together with all addenda) executed by the Borrower in favor of the Issuer evidencing the Loan and endorsed and assigned by the Issuer to the Bank and the Trustee, as their interests may appear, on the Closing Date, as amended, supplemented or restated from time to time or any note executed in substitution therefor in accordance with the Bond Documents, as such substitute note may be amended, supplemented or restated from time to time.

"Obligor Bond" means any Bond registered in the name, or held for the account, of the Issuer, any Affiliate of the Issuer, the Borrower, any Affiliate of the Borrower, or any guarantor or any Affiliate of any guarantor.

"Opinion of Bond Counsel" means a written opinion of Bond Counsel addressed to the Issuer, the Trustee and the Credit Provider, and in form and substance acceptable to the Issuer, the Trustee and the Credit Provider.

"Opinion of Counsel" means a written opinion of legal counsel, acceptable to the recipient(s) of such opinion. If the opinion is with respect to an interpretation of federal tax laws, including the Code and the Regulations, or bankruptcy matters, such legal counsel must be an attorney or firm of attorneys experienced in such matters.

"Outstanding" means, when used with reference to the Bonds at any date as of which the amount of Outstanding Bonds is to be determined, all Bonds which have been authenticated and delivered under the Indenture except:

(a) Bonds cancelled or delivered for cancellation at or prior to such date;

(b) Bonds deemed to be paid in accordance with the Indenture; and

(c) Bonds in lieu of which others have been authenticated under the Indenture.

In determining whether the owners of a requisite aggregate principal amount of Outstanding Bonds have concurred in any action, request, demand, authorization, direction, notice, consent or waiver under the provisions of the Indenture, Excluded Bonds will be disregarded and deemed not to be Outstanding under the Indenture for the purpose of any such determination unless all Bonds are Excluded Bonds. In determining whether the Trustee will be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which are known by the Trustee to be Excluded Bonds will be disregarded.

"Permanent Phase" has the meaning given that term in the Conversion Agreement.

"*Permitted Investments*" means, to the extent authorized by law for investment of moneys of the Issuer:

(a) Government Obligations.

(b) Direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, any agency or instrumentality of the United States of America (other than the Federal Home Loan Mortgage Corporation) or direct obligations of the World Bank, which obligations are rated in the Highest Rating Category.

(c) Obligations, in each case rated in the Highest Rating Category, of (i) any state or territory of the United States of America, (ii) any agency, instrumentality, authority or political subdivision of a state or territory or (iii) any public benefit or municipal corporation the principal of and interest on which are guaranteed by such state or political subdivision.

(d) Any written repurchase agreement entered into with a Qualified Financial Institution whose unsecured short-term obligations are rated in the Highest Rating Category.

(e) Commercial paper rated in the Highest Rating Category.

(f) Interest-bearing negotiable certificates of deposit, interest-bearing time deposits, interest-bearing savings accounts and bankers' acceptances, issued by a Qualified Financial Institution if either (i) the Qualified Financial Institution's unsecured short-term obligations are rated in the Highest Rating Category or (ii) such deposits, accounts or acceptances are fully insured by the Federal Deposit Insurance Corporation.

(g) An agreement held by the Trustee for the investment of moneys at a guaranteed rate with (i) the Credit Provider or (ii) a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category or the Second Highest Rating Category, or whose obligations are unconditionally guaranteed or insured by a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category or Second Highest Rating Category; provided that such agreement is in a form acceptable to the Credit Provider; and provided further that such agreement includes the following restrictions:

(i) the invested funds will be available for withdrawal without penalty or premium, at any time that (A) the Trustee is required to pay moneys from the Fund(s) established under the Indenture to which the agreement is applicable, or (B) any Rating Agency indicates that it will lower or actually lowers, suspends or withdraws the rating on the Bonds on account of the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement;

(ii) the agreement, and if applicable the guarantee or insurance, is an unconditional and general obligation of the provider and, if applicable, the guarantor or insurer of the agreement, and ranks pari passu with all other unsecured unsubordinated obligations of the provider, and if applicable, the guarantor or insurer of the agreement;

(iii) the Trustee receives an Opinion of Counsel, which may be subject to customary qualifications, that such agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and, if applicable, an Opinion of Counsel that any guaranty or insurance policy provided by a guarantor or insurer is legal, valid, binding and enforceable upon the guarantor or insurer in accordance with its terms; and

(iv) the agreement provides that if during its term the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement, is withdrawn or suspended by any Rating Agency or falls below the Second Highest Rating Category, the provider must, within 10 days, either: (A) collateralize the agreement (if the agreement is not already collateralized) with Permitted Investments described in paragraph (a) or (b) by depositing collateral with the Trustee or a third party custodian, such collateralization to be effected in a manner and in an amount sufficient to maintain the then current rating of the Bonds, or, if the agreement is already collateralized, increase the collateral with Permitted Investments described in paragraph (a) or (b) by depositing collateral with the Trustee or a third party custodian, so as to maintain the then current rating of the Bonds, (B) at the request of the Trustee or the Credit Provider, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium unless required by law or (C) transfer the agreement, guarantee or insurance, as applicable, to a replacement provider, guarantor or insurer, as applicable, then meeting the requirements of a Qualified Financial Institution and whose unsecured long-term obligations are then rated in the Highest Rating Category or the Second Highest Rating Category. The agreement may provide that the down-graded provider may elect which of the remedies to the down-grade (other than the remedy set out in (B)) to perform.

Notwithstanding anything else in this paragraph (g) to the contrary and with respect only to any agreement described in this paragraph or any guarantee or insurance for any such agreement which is to be in effect for any period after the Conversion Date, any reference in this paragraph to the "Second Highest Rating Category" will be deemed deleted so that the only acceptable rating category for such an agreement, guarantee or insurance will be the Highest Rating Category.

(h) Subject to the ratings requirements set forth in this definition, shares in any money market mutual fund (including those of the Trustee or any of its affiliates) registered under the Investment Company Act of 1940, as amended, that have been rated "AAAm-G" or "AAAm" by S&P or "Aaa" by Moody's so long as the portfolio of such money market mutual fund is limited to Government Obligations and agreements to repurchase Government Obligations. If approved in writing by the Credit Provider, a money market mutual fund portfolio may also contain obligations and agreements to repurchase obligations described in paragraphs (b) or (c). If the Bonds are rated by a Rating Agency, the money market mutual fund must be rated "AAAm-G" or "AAAm" by S&P, if S&P is a Rating Agency, or "Aaa" by Moody's, if Moody's is a Rating Agency. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the money market mutual fund must be rated "AAAm-G" or "AAAm" by S&P or "Aaa" by Moody's. If at any time (i) the Bonds are not rated, (ii) both S&P and Moody's rate a money market mutual fund and (iii) one of those ratings is below the level required by this paragraph, then such money market mutual fund will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that Rating Agency.

(i) Any other investment authorized by the laws of the State, if such investment is approved in writing by the Credit Provider and each Rating Agency.

Permitted Investments will not include any of the following:

(i) Except for any investment described in the next sentence, any investment with a final maturity or any agreement with a term greater than one year from the date of the investment. This exception (i) will not apply to any obligation that provides for the optional or mandatory tender, at par, by the holder of such obligation at least once within one year of the date of purchase, Government Obligations irrevocably deposited with the Trustee for payment of Bonds pursuant to the Indenture, and Permitted Investments listed in paragraphs (g)(i) above.

(ii) Except for any obligation described in paragraph (a) or (b), any obligation with a purchase price greater or less than the par value of such obligation.

(iii) Any asset-backed security, including mortgage-backed securities, real estate mortgage investment conduits, collateralized mortgage obligations, credit card receivable asset-backed securities and auto loan asset-backed securities.

(iv) Any interest-only or principal-only stripped security.

(v) Any obligation bearing interest at an inverse floating rate.

(vi) Any investment which may be prepaid or called at a price less than its purchase price prior to stated maturity.

(vii) Any investment the interest rate on which is variable and is established other than by reference to a single index plus a fixed spread, if any, and which interest rate moves proportionately with that index.

(viii) Any investment described in paragraph (d) or (g) with, or guaranteed or insured by, a Qualified Financial Institution described in clause (iv) of the definition of Qualified Financial Institution if such institution does not agree to submit to jurisdiction, venue and service of process in the United States of America in the agreement relating to the investment. and

(ix) Any investment to which S&P has added an "r" or "t" highlighter.

"*Person*" means any individual, entity, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision of any government.

"*Pledge Agreement*" means (i) prior to the Conversion Date and on and after the Transition Date, the Bank Pledge Agreement, (ii) on and after the Conversion Date, the Fannie Mae Pledge Agreement and (iii) at such time as an Alternate Credit Facility is in effect any pledge agreement between the Borrower and the Alternate Credit Provider.

"*Pledged 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 the proceeds of a Draw under the Letter of Credit, a Liquidity Advance or a Mandatory Tender Advance under the Fannie Mae Credit Facility or Draw under an Alternate Credit Facility, as applicable, to, but excluding, the date on which the amount of the Draw or Liquidity Advance or Mandatory Tender Advance (under the Fannie Mae Credit Facility) made by the Credit Provider on account of such Pledged Bond is reinstated under the Credit Facility.

"*Pre-Conversion Loan Equalization Payment*" has the meaning given to that term in the Note.

"*Principal Amount*" means $15,000,000, the original principal amount of the Bonds issued on the Closing Date.

"*Principal Reserve Fund*" means the Principal Reserve Fund created by the Indenture.

"*Principal Reserve Schedule*" means, on and after the Conversion Date, the Schedule of Deposits to Principal Reserve Fund attached to the Fannie Mae Reimbursement Agreement, as such schedule may be amended, supplemented or restated from time to time.

"*Project Account*" means the Project Account of the Loan Fund.

"*Qualified Financial Institution*" means any of: (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, (v) government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, (vi) securities dealer approved in writing by the Credit Provider the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation and (vii) any other entity which is acceptable to the Credit Provider. With respect to an entity which provides an agreement held by the Trustee for the investment of moneys at a guaranteed rate as set out in paragraph (g) of the definition of the term "Permitted Investments" or an entity which guarantees or insures, as applicable, the agreement, a "Qualified Financial Institution" may also be a corporation or limited liability company organized under the laws of any state of the United States of America.

"*Qualified Project Costs*" has the meaning given to that term in the Regulatory Agreement.

"*Rate Determination Date*" means (i) with respect to the Weekly Variable Rate, Wednesday of each week beginning November 21, 2007, or if such Wednesday is not a Business Day the following day or if such day is not a Business Day, then the first Business Day before such Wednesday; provided, however, that upon any adjustment to the Weekly Variable Rate Mode from a Reset Rate, the first Rate Determination Date shall be the Business Day prior to the Adjustment Date, and (ii) with respect to any Reset Rate and the Fixed Rate, the date selected by the Remarketing Agent which date must be a Business Day not less than five Business Days prior to the Adjustment Date.

"*Rating Agency*" means any nationally recognized statistical rating agency then maintaining a rating on the Bonds.

"*Rebate Amount*" has the meaning given thereto in the Financing Agreement.

"*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 Analyst's Fee*" means the annual continuing fee of the Rebate Analyst, if any, for its rebate calculation services.

"*Rebate Fund*" means the Rebate Fund created by the Indenture.

"*Record Date*" means, with respect to any Interest Payment Date, the Business Day before the Interest Payment Date.

"*Redemption Account*" means the Redemption Account of the Revenue Fund.

"*Redemption Date*" means any date upon which Bonds are to be redeemed pursuant to the Indenture.

"*Registered Owner*" means, with respect to any Bond, the registered owner of the Bond as shown on the Bond Register.

"*Regulations*" means the applicable proposed, temporary or final Income Tax Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

"*Regulatory Agreement*" means the Regulatory and Land Use Restriction Agreement relating to the Mortgaged Property, dated as of November 1, 2007 among the Issuer, the Borrower and the Trustee, as it may be amended, supplemented or restated from time to time.

"*Reimbursement Agreement*" means (i) prior to the Conversion Date and from and after the Transition Date, the Bank Reimbursement Agreement, (ii) from and after the Conversion Date, the Fannie Mae Reimbursement Agreement or (iii) if an Alternate Credit Facility is in effect, any reimbursement agreement between the Borrower and the Alternate Credit Provider.

"*Remarketing Agent*" means Merchant Capital, L.L.C. or any successor as Remarketing Agent designated in accordance with the Indenture.

"*Remarketing Agent's Fee*" means the continuing fee of the Remarketing Agent for its remarketing services.

"*Remarketing Agreement*" means the Remarketing Agreement, dated November 1, 2007, by and between the Borrower and the Remarketing Agent, as amended, supplemented or restated from time to time in a manner acceptable to the Credit Provider, or any agreement entered into in substitution therefore in form acceptable to the credit Provider.

"*Remarketing Expenses*" means the costs and expenses incurred by the Trustee and its counsel, the Remarketing Agent and its counsel, the Issuer and its counsel, the Loan Servicer and its counsel, the Credit Provider and its counsel and Bond Counsel in connection with the remarketing of any Bonds, including Bond printing and registration costs, cost of funds advanced by any of the foregoing parties, registration and filing fees, rating agency fees and other costs and expenses incurred in connection with or properly attributable to the remarketing of Bonds.

"*Remarketing Notice Parties*" means the Borrower, the Issuer, the Trustee, the Tender Agent, the Remarketing Agent, Fannie Mae and the Loan Servicer and, prior to the Conversion Date and from and after the Transition Date, the Bank.

"*Replacement Credit Facility*" has the meaning given that term in the Indenture.

"*Reserved 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 Loan Documents requiring the determination, consent or approval of the Issuer (but, as to the Loan Documents, only to the extent of the Issuer's Reserved Rights, as defined therein), (d) all rights of the Issuer of access to the Mortgaged Property 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 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 in the 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 Loan Documents (but, as to the Loan Documents, only to the extent of the Issuer's Reserved 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 Mortgaged Property, 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.

"*Reset Date*" means any date upon which the Bonds begin to bear interest at a Reset Rate for the Reset Period then beginning.

"*Reset Period*" means each period of 10 years or more selected by the Borrower, or such shorter period as may be selected by the Borrower with the prior written consent of the Credit Provider, during which the Bonds bear interest at a Reset Rate.

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

"*Revenue Fund*" means the Revenue Fund created by the Indenture.

"*Revenues*" means all (i) payments made under the Credit Facility other than an Issuer's Fee Advance under the Fannie Mae Credit Facility to pay the Issuer Administration Fee, (ii) Investment Income (excluding Investment Income earned from moneys on deposit in the Principal Reserve Fund, the Rebate Fund and the Costs of Issuance Fund) and (iii) payments made under the Note.

"*Second Highest Rating Category*" means with respect to an Investment, that the Investment is rated by each Rating Agency in the second highest rating category given by that Rating Agency for that general category of security. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the term "Second Highest Rating Category" means, with respect to an Investment, that the Investment is rated by S&P or Moody's in the second highest rating category given by that rating agency for that general category of security. By way of example, the Second Highest Rating Category for tax-exempt municipal debt established by S&P is "AA" for a term greater than one year, with corresponding ratings by Moody's of "Aa." If at any time (i) the Bonds are not rated, (ii) both S&P and Moody's rate an Investment and (iii) one of those ratings is below the Second Highest Rating Category, then such Investment will not be deemed to be rated in the Second Highest Rating Category. For example, an Investment rated "AA" by S&P and "A" by Moody's is not rated in the Second Highest Rating Category.

"*Securities Depository*" means, initially, DTC and its successors and assigns, and any replacement securities depository appointed under the Indenture.

"*Security*" means the Trust Estate and the Credit Facility.

"*Security Instrument*" means the Multifamily Deed of Trust, Assignment of Rents and Security Agreement and Fixture Filing, dated as of November 1, 2007, together with all riders and exhibits, securing the obligations of the Borrower under the Note and the obligations of the Borrower (i) prior to the Conversion Date and on and after the Transition Date, to the Bank under the Bank Documents, and

(ii) on and after the Conversion Date, to Fannie Mae under the Credit Facility Documents in effect on and after the Conversion Date, executed by the Borrower with respect to the Mortgaged Property, as such instrument may be amended, supplemented or restated from time to time, or any security instrument executed in substitution therefor, as such substitute security instrument may be amended, supplemented or restated from time to time.

"*SIFMA Index Rate*" has the meaning given to the term "USD-SIFMA Municipal Swap Index" in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., as amended or supplemented from time to time.

"*Sinking Fund Payment*" means, as of any particular date of calculation, the amount required to be paid by the Issuer on a single future date for the redemption of Outstanding Bonds which mature after such future date, but excluding any amount payable by the Issuer by reason of the maturity of a Bond or by optional redemption of a Bond.

"*Sinking Fund Payment Date*" means any date on which any Bond matures or is subject to redemption through the application of Sinking Fund Payments as set out in a Sinking Fund Schedule.

"*Sinking Fund Schedule*" means a schedule of principal amounts of Bonds to mature or be subject to redemption through the application of Sinking Fund Payments on the specified dates and/or a schedule of principal amounts of Bonds maturing as serial Bonds.

"*S&P*" means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., and its successors and assigns, or if it is dissolved or no longer assigns credit ratings, then any other nationally recognized statistical rating agency, designated by the Credit Provider, as assigns credit ratings.

"*State*" means the State of Texas.

"*Substitute Letter of Credit*" means an irrevocable letter of credit (i) having the characteristics of a "credit" or "letter of credit" set forth in the equivalent of Section 5-103 of the UCC of the jurisdiction which governs such letter of credit except that a letter of credit (A) may not be revocable and (B) may be issued only by (1) a national bank, (2) any banking institution organized under the laws of any state, territory or the District of Columbia, the business of which is substantially confined to banking and is supervised by the state or territorial banking commission or similar officials or (3) a branch or agency of a foreign bank, provided that the nature and extent of federal and/or state regulation and the supervision of the particular branch or agency is substantially equivalent to that applicable to federal or state chartered domestic banks doing business in the same jurisdiction; and (ii) which meets the requirements of a Credit Facility under the Indenture.

"*Substitution Date*" means the date upon which an Alternate Credit Facility is to be substituted for the Credit Facility then in effect (excluding the date the Fannie Mae Credit Facility is substituted for the Letter of Credit), which date must be (i) an Interest Payment Date during a Weekly Variable Rate Period or an Adjustment Date which immediately follows a Reset Period and (ii) a date on which the Credit Facility for which substitution is being made is available to be accessed or drawn upon. The Transition Date is not a Substitution Date. A Substitution Date will not occur after the Fixed Rate Adjustment Date. An extension of any Extension Date by reason of the extension of a Credit Facility is not a Substitution Date.

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

"*Tax Event*" has the meaning given to that term as set forth in APPENDIX B: "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE — Defaults and Remedies — Non-Default and Prohibition of Mandatory Redemption Upon Tax Event."

"*Tender Agent*" means the Tender Agent named in the Indenture or its successor as Tender Agent under the Indenture named in accordance with the Indenture.

"*Tender Agent Agreement*" means any Tender Agent Agreement entered into by the Issuer, the Trustee and the Tender Agent in the event that the Trustee does not serve as Tender Agent under the Indenture, as such agreement may be amended, supplemented or restated from time to time.

"*Tender Agent's Annual Fee*" means the annual fee of the Tender Agent for its services as Tender Agent, which fee is included in the Trustee's Annual Fee.

"*Tender Date*" means (i) with respect to an optional tender, the date on which the Trustee is required to purchase a Bond from a tendering Beneficial Owner, (ii) with respect to a Mandatory Tender, the Mandatory Tender Date, or (iii) any other date on which Bondholders are permitted or required under the Indenture to tender their Bonds for purchase.

"*Tendered Bond*" means any Bond which has been tendered for purchase pursuant to the applicable provisions of the Indenture.

"*Termination Date*" means the date set forth in the Conversion Agreement..

"*Third Party Fees*" means the Asset Oversight Agent's Fee, the Issuer's Fee, the Remarketing Agent's Fee, the Tender Agent's Annual Fee and the Trustee's Annual Fee. Fees and Expenses are not Third Party Fees.

"*Transaction Documents*" means the Bond Documents, the Loan Documents and the Credit Facility Documents.

"*Transition Date*" means the day following the Termination Date if the final conditions to Conversion are not satisfied on or before the Termination Date.

"*Trust Estate*" means the property, interests, rights, money, securities and other amounts pledged and assigned pursuant to the Indenture and the property, rights, money, securities and other amounts pledged and assigned by the Issuer to the Trustee and the Credit Provider, as their interests may appear, pursuant to the Assignment.

"*Trustee*" means Bank of New York Trust Company, N.A., a national banking association, or its successors or assigns, or 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.

"*Trustee's Annual Fee*" means the annual continuing trust administration fee of the Trustee, as Trustee for the ordinary services of the Trustee rendered under the Indenture during each twelve month period in the amount of $3,000.00, which shall be payable in advance on the Closing Date for the period through November 15, 2008, and for each period thereafter, annually in advance on each November 15th, commencing November 15, 2007. The Trustee's Annual Fee does not include (i) costs and expenses incurred by the Trustee or (ii) Extraordinary Trustee Costs.

"*Week*" means any seven-day period during a Weekly Variable Rate Period beginning on Thursday and ending on and including the following Wednesday; except that:

(a) the first Week will begin on the Closing Date and end on and include the following Wednesday;

(b) the first Week of a Weekly Variable Rate Period immediately following an Adjustment Date will begin on such Adjustment Date and end on and include the following Wednesday;

(c) any Week ending immediately before an Adjustment Date will begin on a Thursday and end on the day before such Adjustment Date;

(d) the final Week will begin on a Thursday and end on the earlier of the day before an Adjustment Date or the Maturity Date; and

(e) the first and last Weeks of a Weekly Variable Rate Period may consist of more (but not more than 13) or less than 7 days.

"*Weekly Variable Rate*" means the variable rate of interest per annum for the Bonds determined from time to time during the Weekly Variable Rate Period in accordance with the Indenture.

"*Weekly Variable Rate Period*" means the period commencing on the Closing Date or an Adjustment Date on which the interest rate on the Bonds is adjusted from the Reset Rate to the Weekly Variable Rate and ending on the day preceding the following Adjustment Date or the Maturity Date.

"*Wrongful Dishonor*" means an uncured failure by the Credit Provider to pay a Draw or make an Advance, as applicable, to the Trustee upon proper presentation of documents which conform to the terms and conditions of the Credit Facility then in effect.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE

The following is a brief summary of certain provisions of the Indenture that have not been described elsewhere in this Official Statement. 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.

Funds and Accounts

The following Funds and Accounts were created with the Trustee under the Indenture:

(a) the Loan Fund and within the Loan Fund, a Project Account and a Capitalized Fund Account containing a Bond Proceeds Subaccount and a Borrower Equity Subaccount therein;

(b) the Revenue Fund and within the Revenue Fund, the Interest Account, the Credit Facility Account, the Redemption Account and the Fees Account;

(c) the Costs of Issuance Fund;

(d) the Rebate Fund;

(e) so long as any Bonds are Outstanding and have not been adjusted to the Fixed Rate, the Bond Purchase Fund; and

(f) the Principal Reserve Fund.

The Trustee will hold and administer the Funds and Accounts in accordance with the Indenture.

Loan Fund

Disbursements From the Capitalized Funds Account. Until the earlier of (i) the depletion of the Capitalized Funds Account, (ii) the Conversion Date, or (iii) the written direction of the Borrower, the Trustee will automatically transfer amounts on deposit in the Capitalized Funds Account as follows:

> Interest on the Note. Not later than three Business Days prior to each Interest Payment Date, the Trustee will transfer to the Interest Account Fund from the Bond Proceeds Subaccount and second from the Borrower Equity Subaccount if amounts in the Bond Proceeds Subaccount are insufficient, an amount equal to the interest which will be payable on such Interest Payment Date by the Borrower under the Note;
>
> Issuer's Fee. Not later than three Business Days prior to each Interest Payment Date, the Trustee will transfer to the Fees Account from the Borrower Equity Subaccount, an amount equal to the amount of the Issuer's Fee due;
>
> Letter of Credit Fee to the Bank. Not later than three Business Days prior to the date such payment is due to the Bank, the Trustee will transfer to the Fees Account from the Borrower Equity Subaccount an amount equal to the amount of the Letter of Credit Fee then payable to the Bank under the Reimbursement Agreement; and

Certain Other Fees. Not later than three Business Days prior to an Interest Payment Date, the Trustee will transfer from the Borrower Equity Subaccount to the Fees Account an amount equal to the amount of any other Third Party Fees due pursuant to the Financing Agreement.

Disbursements from the Project Account. The Trustee will disburse amounts on deposit in the Project Account as provided in the Indenture for the sole purpose of paying Development Costs or if not fully disbursed to pay Development Costs, to effect a redemption pursuant to the Indenture.

Upon final disbursement of all amounts on deposit in the Project Account, the Trustee will close the Project Account.

Transfers to Effect Certain Mandatory Redemptions of Bonds. On or before the Conversion Date, the Trustee will transfer to the Redemption Account any amounts remaining on deposit in the Loan Fund not required to pay the costs of the Development. The Trustee will apply such amounts to the redemption of Bonds pursuant to the Indenture.

Certain Other Mandatory Redemptions. Immediately prior to any mandatory redemption of the Bonds in whole pursuant to the terms of the Indenture governing the redemption of Bonds in the event of (a) casualty or condemnation of the Development or (b) excess loan funds, any amounts then remaining in the Loan Fund will, and in the case of a redemption due to casualty or condemnation, at the written direction of the Credit Provider be transferred to the Redemption Account to be applied to the redemption of Bonds pursuant to the applicable provision of the Indenture.

Revenue Fund – Interest Account

Deposits into the Interest Account. The Trustee will deposit each of the following amounts into the Interest Account:

(a) moneys provided by or on behalf of the Borrower relating to an interest payment, including any prepayment, under the Note;

(b) moneys transferred from the Capitalized Funds Account pursuant to the Indenture;

(c) all Investment Income on the Funds and Accounts (except that Investment Income earned on amounts on deposit in the Accounts of the Loan Fund, the Rebate Fund, the Costs of Issuance Fund and the Principal Reserve Fund will be credited to and retained in those respective Funds or Accounts); and

(d) any other moneys made available for deposit into the Interest Account from any other source.

Disbursements from the Interest Account. The Trustee will disburse or transfer, as applicable, moneys on deposit in the Interest Account at the following times and apply such moneys in the following manner and in the following order of priority:

(a) On each (i) Interest Payment Date, (ii) Redemption Date and (iii) date of acceleration of the Bonds, the Trustee will disburse to the Credit Provider an amount equal to the interest portion of any Draw or Advance, as applicable, under the Credit Facility relating to the payment of interest on the Bonds;

(b) In the event of Wrongful Dishonor until such Wrongful Dishonor is cured, the Trustee will disburse to the Bondholders on each Interest Payment Date an amount equal to the interest due on the Bonds on such date;

(c) If the Credit Provider or the Loan Servicer (on or after the Conversion Date) gives a written notice to the Trustee at any time to the effect that there is any unreimbursed Draw or Advance under the Credit Facility or that any other amount required to be paid by the Borrower to the Credit Provider under the Loan Documents, the Bond Documents or the Credit Facility Documents remains unpaid, then the Trustee will transfer any Investment Income earned on the Interest Account on and after the preceding Interest Payment Date or the Closing Date, as applicable, to the Credit Provider but not in an amount which exceeds the amount stated as unpaid in the notice of the Credit Provider to the Trustee; and

(d) Unless there is (i) a deficiency in the Principal Reserve Fund, the Fees Account or the Rebate Fund or (ii) other than as described in paragraph (c) above, an Event of Default under the Reimbursement Agreement or any Bond Document or a default under any Loan Document has occurred and is continuing, on each Interest Payment Date the Trustee will disburse to the Borrower the Investment Income earned on the Interest Account from and after the preceding Interest Payment Date or the Closing Date, as applicable. If a deficiency exists in the Principal Reserve Fund, the Fees Account or the Rebate Fund, such Investment Income will be transferred to the Principal Reserve Fund, the Fees Account and/or the Rebate Fund, in that order of priority, prior to any payment to the Borrower.

Revenue Fund – Redemption Account

Deposits into the Redemption Account. The Trustee will deposit each of the following amounts into the Redemption Account:

(a) Available Moneys provided by or on behalf of the Borrower to fund the premium payable on Bonds in connection with a redemption of such Bonds, which amounts are to be held in a segregated subaccount in the Redemption Account;

(b) moneys transferred from the Loan Fund pursuant to the provisions of the Indenture;

(c) moneys provided by or on behalf of the Borrower relating to a principal payment, including any prepayment, under the Note;

(d) moneys transferred from the Principal Reserve Fund pursuant to the terms of the Indenture governing the Principal Reserve Fund (as described below under the heading "Principal Reserve Fund"); and

(e) any other amount received by the Trustee and required by the terms of the Indenture or the Financing Agreement to be deposited into the Redemption Account.

Disbursements from the Redemption Account. On each Redemption Date, date of acceleration of the Bonds, the Maturity Date and/or any date on which the Bonds are purchased in lieu of redemption pursuant to the Indenture, the Trustee will disburse from the Redemption Account (x) to the Credit Provider, the principal component of any Draw or Advance, as applicable, under the Credit Facility relating to the payment of principal on the Bonds unless the Credit Provider is Fannie Mae and Fannie Mae has been reimbursed by the Loan Servicer for the amount of such Advance, or, (y) in the event of a Wrongful Dishonor or in the event a Credit Facility is not in effect, to the Bondholders, an amount equal to the principal due on the Bonds on such date. In addition, on any date on which premium payable on

Bonds in connection with a redemption of such Bonds is due, the Trustee will disburse to the Bondholders, from the segregated subaccount in the Redemption Account, Available Moneys in an amount sufficient to pay such premium.

Revenue Fund – Credit Facility Account

Deposits into the Credit Facility Account. The Trustee will deposit into the Credit Facility Account all Draws and Advances, as applicable, under the Credit Facility, except that from and after the Conversion Date, (i) Issuer's Fee Advances under the Fannie Mae Credit Facility are to be deposited into the Fees Account and (ii) Liquidity Advances and Mandatory Tender Advances under the Fannie Mae Credit Facility are to be deposited into the Bond Purchase Fund pursuant to the Indenture. No other moneys are to be deposited into the Credit Facility Account and the Credit Facility Account will be maintained as a segregated account and moneys therein will not be commingled with any other moneys held under the Indenture. The Credit Facility Account is to be closed at such time as the Credit Provider has no continuing liability under the Credit Facility.

Transfers from the Credit Facility Account. The Trustee will cause amounts deposited into the Credit Facility Account to be applied on the date payment is due to the payments for which the Draw or Advance, as applicable, was made pursuant to the Credit Facility. In no event are amounts in the Credit Facility Account to be applied to the payment of principal of and interest and any premium on any Pledged Bonds or on any Bonds known by the Trustee to be held by the Borrower or any Affiliate of the Borrower. Any amounts remaining in the Credit Facility Account after making the payment for which the Draw or Advance was made pursuant to the Credit Facility are to be immediately refunded to the Credit Provider.

Revenue Fund – Fees Account

Deposits into the Fees Account. The Trustee will deposit into the Fees Account all:

(a) Capitalized Funds Account. Moneys transferred from the Capitalized Funds Account pursuant to the Indenture;

(b) Third Party Fees. Payments made by the Borrower under the Financing Agreement attributable to the Third Party Fees;

(c) Fees and Expenses. Payments made by the Borrower under the Financing Agreement attributable to the Fees and Expenses; and

(d) Amounts From the Credit Facility. On and after the Conversion Date, amounts, if any, derived from an Issuer's Fee Advance under the Fannie Mae Credit Facility for the payment of the Issuer Administration Fee.

Disbursements from the Fees Account. On any date on which any amounts are required to pay any Third Party Fees or Fees and Expenses, such amounts will be withdrawn by the Trustee from the Fees Account for payment of such Third Party Fees to the appropriate party, provided that on and after the Conversion Date, amounts derived from the Credit Facility and deposited into the Fees Account will be used only to pay the Issuer Administration Fee when due. In the event the amount in the Fees Account is insufficient to pay such Third Party Fees and/or any Fees and Expenses, the Trustee will make written demand on the Borrower for the amount of such insufficiency and, pursuant to the terms of the Financing Agreement, the Borrower will be liable to promptly pay the amount of such insufficiency to the Trustee within five Business Days after the date of the Trustee's written demand. The Trustee will provide notice of the insufficiency to the Issuer and the Credit Provider and, on and after the Conversion Date, to the Loan Servicer.

No other Claims to Trust Estate. None of the Tender Agent, the Remarketing Agent or the Rebate Analyst will have any right to any moneys in any Fund or Account or otherwise in the Trust Estate other than those moneys deposited pursuant to the Indenture into the Fees Account specifically for such Person. Except as otherwise stated in the sections of the Indenture governing (a) disposition of remaining moneys (as described below under the subheading "Disposition of Remaining Moneys") and (b) the payment of outstanding amounts, the Issuer will not have any right to any moneys in any Fund or Account or otherwise in the Trust Estate other than those moneys deposited pursuant to the Indenture into the Fees Account specifically for the Issuer. Except as otherwise stated in the Indenture, the Trustee will not have any right to any moneys in any Fund or Account or otherwise in the Trust Estate other than those moneys deposited pursuant to the Indenture into the Fees Account specifically for the Trustee.

Costs of Issuance Fund

Deposits into the Costs of Issuance Fund. On or before the Closing Date the Borrower will deliver the Costs of Issuance Deposit to the Trustee. On the Closing Date, the Trustee will deposit or transfer, as applicable, the Costs of Issuance Deposit into the Costs of Issuance Fund.

Disbursements from the Costs of Issuance Fund. The Trustee will disburse moneys on deposit in the Costs of Issuance Fund to pay Costs of Issuance.

Disposition of Remaining Amounts. Any moneys remaining in the Costs of Issuance Fund 12 months after the Closing Date and not needed to pay still unpaid Costs of Issuance are to be returned to the Borrower.

Rebate Fund

The Rebate Fund will be held and applied as provided in the Indenture. All money at any time deposited in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy any Rebate Requirement (as calculated by the Rebate Analyst) to the United States Government; none of the Issuer, the Borrower, the Bondholders or the Credit Provider 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 and by the Tax Certificate.

Bond Purchase Fund

Deposits into Bond Purchase Fund. The Trustee will deposit each of the following into the Bond Purchase Fund: (a) remarketing proceeds received upon the remarketing of Tendered Bonds to any person; (b) Draws, Mandatory Tender Advances and Liquidity Advances, as applicable, under the Credit Facility to enable the Trustee to pay the purchase price of Tendered Bonds to the extent that moneys obtained pursuant to clause (a) are insufficient on any date to pay the purchase price of Tendered Bonds which amounts the Trustee will transfer to the Tender Agent on or before 3:00 p.m. Eastern Time on each Tender Date; and (c) moneys received from the Borrower to the extent that moneys obtained pursuant to subsections (a) and (b) are insufficient to pay the purchase price of the Tendered Bonds.

Subject to the provisions of the Indenture permitting reimbursement of amounts owed to the Credit Provider, moneys in the Bond Purchase Fund are to be held uninvested and exclusively for the payment of the purchase price of Tendered Bonds. Amounts held to pay the purchase price for more than two years are to be applied in the same manner as provided under the Indenture with respect to unclaimed payments of principal and interest.

Disbursements from the Bond Purchase Fund. The Trustee will transfer to the Tender Agent on or before 3:00 p.m. Eastern time on each Tender Date amounts on deposit in the Bond Purchase Fund to pay the purchase price of Tendered Bonds. The Tender Agent will apply such amounts to pay the purchase price of Bonds purchased under the Indenture to the former owners of such Bonds upon presentation of the Bonds to the Tender Agent pursuant to the provisions of the Indenture governing the purchase and mandatory tender of Bonds.

Moneys to Be Held in Trust

Except for (i) moneys deposited with or paid to the Trustee for the redemption of Bonds for which notice of the redemption has been duly given and (ii) moneys on deposit in the Costs of Issuance Fund, the Rebate Fund and the Fees Account, all moneys required to be deposited with or paid to the Trustee for the account of any Fund or Account will be held by the Trustee in trust and, while held by the Trustee, will constitute part of the Trust Estate and be subject to the security interest created by the Indenture.

Moneys Held for Particular Bonds

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

Nonpresentment of Bonds

In the event any Bond is not presented for payment when the principal of such Bond becomes due, either at maturity or at the date fixed for redemption of such Bond or otherwise, if amounts sufficient to pay such Bond have been deposited with the Trustee for the benefit of the owner of the Bond and have remained unclaimed for three years after such principal has become due and payable, such amounts, to the extent amounts are owed to the Credit Provider as set forth in a written statement of the Credit Provider addressed to the Trustee, will be paid to the Credit Provider and any further amounts will be paid to the Borrower. Upon such payment, all liability of the Issuer and the Trustee to the holder of any Bond for the payment of such Bond will cease and be completely discharged. The obligation of the Trustee under the terms of the Indenture described in this paragraph to pay any such amounts to the Credit Provider or the Borrower will be subject and to other provisions of law applicable to the Trustee or to such amounts providing other requirements for the disposition of unclaimed property.

Disposition of Remaining Moneys

Provided that the rebate requirements referenced in the Indenture, the Financing Agreement and the Tax Certificate are first satisfied, any amounts remaining in the Funds and Accounts after payment in full of the principal of and interest and any premium on the Bonds and any Facility Fees, Third Party Fees or Fees and Expenses will be applied to pay (i) first, to the Credit Provider any unpaid amounts certified by the Credit Provider to be due and owing to the Credit Provider, (ii) second, to the person or persons entitled to be paid, all other unpaid amounts required to be paid under the Indenture or the Financing Agreement, and (iii) third, to the Borrower the balance upon the expiration or sooner cancellation or termination of the term of the Financing Agreement as provided in the Financing Agreement.

Investment Limitations

Except as provided below, moneys held as part of any Fund or Account will be invested and reinvested in Permitted Investments. Permitted Investments will have maturities corresponding to, or will be available for withdrawal without penalty no later than, the dates upon which such moneys will be needed for the purpose for which such moneys are held. Moneys on deposit in the (i) Interest Account are to be invested only in investments described in paragraphs (a), (b), (c) and (h) of the definition of Permitted Investments, (ii) Redemption Account will be invested only in investments described in paragraph (a) of the definition of Permitted Investments, with a term not exceeding the earlier of 30 days from the date of investment of such moneys or the date or dates that such moneys are anticipated to be required for redemption, (iii) Credit Facility Account and Bond Purchase Fund will be held uninvested and (iv) Costs of Issuance Fund, until disbursed or returned to the Borrower pursuant to the Indenture, are to be invested only in investments described in paragraph (h) of the definition of Permitted Investments. Permitted Investments will be held by or under the control of the Trustee. All Investment Income from moneys held in all Funds and Accounts other than the Loan Fund, the Rebate Fund, the Costs of Issuance Fund (other than as provided below) and the Principal Reserve Fund, upon receipt, will be deposited into the Interest Account. Investment Income from moneys held in the Loan Fund, the Rebate Fund, the Costs of Issuance Fund and the Principal Reserve Fund will remain in the respective Fund where earned.

The Credit Facility

Acceptance of the Credit Facility. The Trustee will hold the Credit Facility and will enforce in its name all rights of the Trustee and all obligations of the Credit Provider under the Credit Facility for the benefit of the Bondholders. The Trustee will not assign or transfer the Credit Facility except (i) to a successor Trustee under the Indenture, (ii) to the Credit Provider upon expiration or other termination of the Credit Facility in accordance with its terms, including expiration on its stated expiration date or (iii) upon payment under the Credit Facility of the full amount payable under the Credit Facility. The Issuer and the Trustee have acknowledged in the Indenture that the obligations of Fannie Mae as the Credit Provider under the Fannie Mae Credit Facility are not backed by the full faith and credit of the United States of America, but by the credit of Fannie Mae, a federally-chartered, stockholder owned corporation.

Draws and Requests for Advances under the Credit Facility. The Trustee will, prior to the Conversion Date, on and after the Transition Date and on the Conversion Date, but on the Conversion Date solely in connection with a mandatory redemption under the Indenture, timely draw on the Letter of Credit, or, on and after the Conversion Date, timely request Advances under the Fannie Mae Credit Facility, or, if an Alternate Credit Facility is in effect, timely draw on the Alternate Credit Facility, in each case for the payment of principal of and interest due on any Bond (other than an Excluded Bond) and the purchase price of any Bond to the extent required the Indenture and in accordance with the terms of the Credit Facility then in effect, and cause the proceeds of each Draw or Advance, as applicable, to be applied so that full and timely payments are made on each date on which payment of principal, interest or purchase price is due on any Bond. In no event will the Trustee request an Advance under the Fannie Mae Credit Facility to fund a mandatory redemption under the mandatory redemption provisions of the Indenture. On and after the Conversion Date, the Trustee will timely request an Issuer's Fee Advance under the Fannie Mae Credit Facility for the payment of the Issuer Administration Fee if payment of the Issuer Administration Fee is due and is not paid by the Borrower pursuant to the Financing Agreement. The Trustee will not request, and shall not apply the proceeds of, any Draw or Advance, as applicable, to pay (i) principal of, interest on, or the purchase price of, any Excluded Bond, (ii) premium that may be payable upon the redemption of any Bond or (iii) interest that may accrue on any Bond on or after the maturity of such Bond. Prior to making a Draw or requesting an Advance, as applicable, to pay principal of or interest on the Bonds on an Interest Payment Date, the Trustee will determine the amount necessary to make such payment of principal or interest.

Return of Payments under the Credit Facility. In the event the Trustee receives a Draw or an Advance, as applicable, from the Credit Provider on account of any Tendered Bond and thereafter the Trustee receives remarketing proceeds upon the remarketing of such Tendered Bond, then the Trustee will promptly reimburse the Credit Provider with such funds to the extent of the amount so paid by the Credit Provider as a reimbursement on behalf of the Borrower.

Alternate Credit Facility

Subject to the terms of the Credit Facility Documents, the Trustee will accept any Alternate Credit Facility delivered to the Trustee in substitution for the Credit Facility then in effect if:

(a) the Alternate Credit Facility meets the requirements of the Indenture;

(b) the Substitution Date for the Alternate Credit Facility is an Interest Payment Date during a Weekly Variable Rate Period or an Adjustment Date which immediately follows a Reset Period;

(c) the Alternate Credit Facility is effective on and from the Substitution Date for such Alternate Credit Facility; and

(d) on or prior to the effective date of the Alternate Credit Facility the Trustee receives (i) an Opinion of Counsel to the Credit 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 and its enforceability and (ii) an Opinion of Bond Counsel to the effect that the substitution of such Alternate Credit Facility will not adversely affect the exclusion from gross income, for federal income tax purposes, of the interest on the Bonds.

The Trustee will give notice to the Bondholders by first class mail, postage prepaid, of the substitution of such Alternate Credit Facility for the Credit Facility then in effect as provided in the Indenture. On the Substitution Date, the Trustee will, if necessary, Draw or request an Advance on the Credit Facility being replaced and will not surrender such Credit Facility until all requests thereon have been honored.

Terms and Conditions of the Initial Letter of Credit

Delivery. The Borrower has agreed, upon the initial authentication and delivery of the Bonds, to arrange for the delivery of the Letter of Credit by the Bank to, and in favor of, the Trustee, for the benefit of the Bondholders. The Letter of Credit will secure the Bonds in accordance with its terms only so long as the Mode in effect for the Bonds is the Weekly Variable Rate. The Letter of Credit Expiration Date shall not be earlier than five days following the Termination Date.

Draws. So long as the Letter of Credit is in effect the Trustee will make timely Draws in accordance with the Letter of Credit such that (a) timely payment of principal and interest is made on the Bonds as required by the Indenture and (b) timely payment of the purchase price of Tendered Bonds that have not been remarketed is made under the provisions of the Indenture governing purchase and remarketing of the Bonds. The Trustee will make such Draws in such fashion as to be able to obtain on the applicable payment date, such funds to the extent necessary to permit the Trustee or the Tender Agent, as the case may be, to make such payment when due in accordance with the Indenture. If any such Draws are made on a Mandatory Tender Date in connection with the delivery of a Substitute Letter of Credit, such Draws will be made upon the Letter of Credit and not on the Substitute Letter of Credit.

Extension. For any extension of the term of the Letter of Credit, the Trustee will, at the direction of an Authorized Borrower Representative, but only if required to evidence an extension of the term of the Letter of Credit, surrender the Letter of Credit to the Bank in exchange for a new letter of credit or the Letter of Credit with notations on it, as the Bank may so elect, conforming in all material respects to the Letter of Credit, but with the extended expiration date. Any such extension is to be for a period of at least one month or, if less, until the fifteenth day following the maturity date of the Bonds.

Draw Requirement. The Trustee will not terminate or surrender the Letter of Credit until the Trustee has made such Draw(s), if any, required under the Indenture to provide for payment in full of the principal of and interest on the Bonds, and has received the proceeds of such Draw(s) from the Bank.

Beneficiary of Letter of Credit. The Trustee will have the obligation to hold and maintain the Letter of Credit for the benefit of the Owners of the Bonds until the Letter of Credit terminates or expires in accordance with its terms.

Surrender of Letter of Credit. When the Letter of Credit terminates or expires in accordance with its terms, the Trustee will immediately surrender it to the Bank. The Trustee has agreed in the Indenture that, except in the case of a redemption of Bonds in part or any other reduction in the principal amount of Bonds Outstanding, it will not under any circumstances request that the Bank reduce the amount of the Letter of Credit. If at any time all Bonds cease to be Outstanding, the Trustee will surrender the Letter of Credit to the Bank in accordance with its terms.

Wrongful Dishonor

Upon a Wrongful Dishonor, the Trustee will give immediate telephonic notice of such dishonor to the Remarketing Agent, the Issuer, the Borrower, and the Credit Provider and, prior to the Conversion Date, also to Fannie Mae and the Loan Servicer.

Discharge of Lien and Security Interest

Discharge. Upon satisfaction of the conditions described in the following paragraph, the Trustee will (i) cancel and discharge the Indenture and the pledge and assignment of the Security, (ii) execute and deliver to the Issuer such instruments in writing prepared by the Issuer or its counsel and provided to the Trustee and the Credit Provider as may be required to cancel and discharge the Indenture and the pledge and assignment of the Trust Estate, (iii) reconvey, assign and deliver to the Issuer so much of the Trust Estate as may be in its possession or subject to its control (except for (A) moneys and Government Obligations held for the purpose of paying Bonds and (B) moneys and Investments held in the Rebate Fund for payment to the United States Government) who will, in turn, convey, assign and deliver the remaining Trust Estate to the Borrower, and (iv) return the Credit Facility to the Credit Provider.

Conditions to Discharge. The conditions precedent to the cancellation and discharge of the Indenture and the other acts described in the immediately preceding paragraph are (i) payment in full of the Bonds, (ii) payment of the Issuer's Fee, Trustee's Annual Fee and the Trustee's ordinary costs and expenses under the Indenture, to the extent that sufficient funds therefor remain in the Trust Estate, (iii) receipt by the Trustee of a written statement from the Credit Provider stating that all obligations owed to the Credit Provider under the Credit Facility Documents have been fully paid and that if all other conditions to discharge of the Indenture are satisfied, the Credit Provider consents to the discharge of the Indenture, (iv) payment of all Extraordinary Trustee Costs to the extent that sufficient funds therefore remain in the Trust Estate, (v) receipt by the Trustee of a written statement from the Issuer stating that all amounts owed to the Issuer in respect of Reserved Rights have been fully paid to the extent that sufficient funds therefore remain in the Trust Estate and (vi) receipt by the Trustee of an Opinion of Counsel, at the expense of the Borrower, stating that all conditions precedent to the satisfaction and discharge of the Indenture have been satisfied.

Survival of Rights and Powers. The Reserved Rights of the Issuer and the rights and powers granted to the Trustee with respect to the payment, transfer and exchange of Bonds will survive the cancellation and discharge of the Indenture.

Payment of Outstanding Amounts

If the Bonds have been paid in full, but any one or more of the other conditions precedent described under "Discharge of Lien and Security Interest — Conditions to Discharge" above are not satisfied because an amount has not been paid, the Trustee, prior to cancellation and discharge of the Indenture, will pay to the persons listed below, in the strict order set out below, the amounts required to satisfy those conditions precedent to the extent that sufficient funds therefore remain in the Trust Estate or are otherwise provided to the Trustee for the Trust Estate:

(a) *Trustee's Annual Fee and Ordinary Costs and Expenses.* If any portion of the Trustee's Annual Fee or ordinary costs and expenses of the Trustee remain unpaid, the Trustee will pay to the appropriate party so much of the Trust Estate as will fully pay such unpaid amounts. No Extraordinary Trustee Costs may be included under this subsection (a).

(b) *Credit Provider.* If the Trustee receives a written statement from the Credit Provider stating that moneys are owed to the Credit Provider under the Credit Facility Documents or the Loan Documents, including obligations in respect of reimbursement of funds advanced by the Credit Provider to the Trustee for application to the payment of Remarketing Expenses, the Trustee will pay to the Credit Provider so much of the remaining Trust Estate as will fully pay all amounts due and owing to the Credit Provider, as determined by the Credit Provider. The reimbursement from the Trust Estate of amounts advanced by the Credit Provider for application to the payment of Remarketing Expenses will be made with interest at a rate equal to the Prime Rate (as that term is defined in the Reimbursement Agreement) plus two percentage points from the date or dates of such advances through the date of such reimbursement. The Trustee is authorized to rely on the written statement of the Credit Provider as to the amount of such advances and interest accrued on such advances.

(c) *Extraordinary Trustee Costs.* If any Extraordinary Trustee Costs have not been paid to the Trustee, the Trustee will pay to itself so much of the remaining Trust Estate as will fully pay all amounts owing to the Trustee for Extraordinary Trustee Costs.

(d) *Issuer.* If the Trustee receives a written statement from the Issuer stating that moneys are owed to the Issuer in respect of the Issuer's Reserved Rights, the Trustee will pay to the Issuer so much of the remaining Trust Estate as will fully pay all amounts owing to the Issuer in respect of the Issuer's Reserved Rights.

(e) *Asset Oversight Agent.* If the Trustee receives a written statement from the Asset Oversight Agent that moneys are owed to the Asset Oversight Agent, the Trustee shall pay over, assign and deliver to the Asset Oversight Agent so much of (and not to exceed) the remaining Trust Estate as shall be necessary to fully pay all amounts owing to the Asset Oversight Agent.

Defeasance

(a) Provision for Payment of Bonds. Any Bond will be deemed paid within the meaning of the Indenture if each of the conditions described below is satisfied. The conditions are:

(1) the Issuer or the Borrower must deposit with the Trustee (A) Available Moneys or (B) Government Obligations which are not subject to early redemption and which are purchased with Available Moneys, of such maturities and interest payment dates and bearing such interest as will be sufficient, without further investment or reinvestment of either the principal amount of such Government Obligations or the interest earnings on Government Obligations (the earnings to be held in trust also), together with any Available Moneys, for the payment on their respective maturity dates, or redemption dates prior to maturity, of the principal of all Bonds being defeased and redemption premium, if any, and interest to accrue on such Bonds to such maturity or redemption dates. If the Bonds are in the Weekly Variable Rate Mode, the Issuer or the Borrower deposits with the Trustee Available Moneys sufficient, without investment, for the payment on their respective maturity dates, or redemption dates prior to maturity, of the principal of such Bonds and interest to accrue on such Bonds to such maturity or redemption dates, provided, however, that the interest to accrue on such Bonds shall be calculated at the Maximum Rate for any Week for which the Weekly Variable Rate is not known at the time of such deposit and such deposit shall be held by the Trustee at all times solely in cash.

(2) the Trustee must receive, at the expense of the Borrower, and may conclusively rely upon: (A) a verification report of an independent certified public accountant or other firm nationally recognized in the certification of cash flow analyses and (B) an Opinion of Bond Counsel to the effect that such deposit with the Trustee and consequent defeasance of the Bonds does not adversely affect the excludability from gross income, for federal income tax purposes, of the interest on the Bonds;

(3) all Third Party Fees and Fees and Expenses due or to become due must have been paid or sufficient additional moneys to make the required payments must have been irrevocably deposited with the Trustee; and

(4) for any such Bonds to be redeemed on any date prior to their maturity, the Trustee must have received (A) in form satisfactory to it, irrevocable instructions to redeem such Bonds on a date on which the Bonds are subject to redemption and (B) either (I) evidence satisfactory to the Trustee that all redemption notices required by the Indenture have been given or (II) irrevocable power authorizing the Trustee to give such redemption notices.

The Trustee shall redeem the Bonds specified in such irrevocable instructions on the date specified by such irrevocable instructions.

(b) Defeased Bonds No Longer Outstanding. At such times as a Bond shall be deemed to be paid under the Indenture, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of payment in accordance with the Indenture.

(c) Release of Certain Income. All income from all Government Obligations in the hands of the Trustee pursuant to the Indenture which is identified by an independent certified public accountant or other firm nationally recognized in the certification of cash flow analyses as not required for the payment of the Bonds and interest on such income with respect to which such moneys have been so deposited will be deposited with the Trustee as and when realized and collected for use and application as are other moneys deposited with the Trustee; provided, that if all the Bonds are deemed to be paid under the Indenture, any remaining moneys shall be disposed of pursuant to the Indenture.

(d) Particular Bonds. Notwithstanding any other provision of the Indenture to the contrary, all moneys or Government Obligations set aside and held in trust pursuant to the provisions of the Indenture for the payment of Bonds (including accrued interest on such Bonds) shall be applied to and used solely for the payment of the particular Bonds (including interest on such Bonds) with respect to which such moneys or Government Obligations have been so set aside in trust.

Defaults and Remedies

Each of the following constitutes an Event of Default under the Indenture:

(a) default in the payment when due and payable of any interest due on any Bond (other than an Excluded Bond);

(b) default in the payment when due and payable of (i) the principal of or any redemption premium on any Bond (other than an Excluded Bond) or (ii) the purchase price of any Tendered Bond (other than an Excluded Bond);

(c) written notice to the Trustee from the Credit Provider (with copy to the Loan Servicer on and after the Conversion Date) of a default by the Issuer in the observance or performance of any covenant, agreement, warranty or representation on the part of the Issuer included in the Indenture or in the Bonds (other than an Event of Default described in (a) or (b) above) and the continuance of such default for a period of 30 days after the Trustee receives such notice;

(d) written notice to the Trustee from the Credit Provider of an Event of Default under the Reimbursement Agreement;

(e) written notice to the Trustee from the Credit Provider of an Act of Bankruptcy; or

(f) a Wrongful Dishonor.

The Trustee will immediately notify the Issuer, the Loan Servicer (from and after the Conversion Date), the Borrower, the Remarketing Agent and the Credit Provider after the Trustee obtains knowledge or receives notice of the occurrence of an Event of Default under the Indenture or an event which would become such an Event of Default with the passage of time, the giving of notice or both, identifying the paragraph in the Indenture under which the Event of Default has occurred or may occur.

Non-Default and Prohibition of Mandatory Redemption upon Tax Event. The occurrence of any event which results in the interest payable on the Bonds being includable, for federal income tax purposes, in the gross income of the Bondholders, including any violation of any provision of the Regulatory Agreement or any of the other Bond Documents (in any of such events, a "Tax Event"), will not (i) directly or indirectly constitute an Event of Default under the Indenture or permit any party (other than the Credit Provider) to accelerate, or require acceleration of, the Loan or the Bonds, unless the Credit Provider provides written notice to the Trustee that such Tax Event constitutes a default under the Reimbursement Agreement, (ii) give rise to a mandatory redemption of the Bonds, or (iii) give rise to the payment to the Bondholders of any amount denoted as "supplemental interest," "additional interest," "penalty interest," "liquidated damages," "damages" or otherwise in addition to the amounts payable to the owners of the Bonds prior to the occurrence of the Tax Event. No terms of the Indenture described in this paragraph will be deemed to amend or supplement the terms of the Loan Documents. Promptly upon determining that a Tax Event has occurred, the Issuer or the Trustee, by notice in writing to the Credit Provider, the Loan Servicer, all Registered Owners of the Bonds and the Remarketing Agent, will state that a Tax Event has occurred and whether the Tax Event is cured, curable within a reasonable period or incurable. Notwithstanding the availability of the remedy of specific performance to cure a Tax Event that is curable within a reasonable period, neither the Issuer nor the Trustee will have, upon the occurrence of a Tax Event, any right or obligation to cause or direct acceleration of the Bonds or the Loan, to enforce the Note or to foreclose the Security Instrument, to accept a deed to the Mortgaged Property in lieu of foreclosure, or to effect any other comparable conversion of the Mortgaged Property.

Acceleration, Redemption and Mandatory Tender

Acceleration. Upon:

(a) the occurrence and during the continuance of a Wrongful Dishonor, the Trustee may, and, upon the written request of Bondholders (other than Holders of Excluded Bonds) owning not less than 51% in aggregate principal amount of Bonds then Outstanding, must, by written notice to the Issuer, the Borrower, the Credit Provider and the Loan Servicer (from and after the Conversion Date), declare the principal of all Bonds and the interest accrued, and to accrue (other than the Excluded Bonds), on the Bonds to the date of payment immediately due and payable; or

(b) the occurrence of any other Event of Default under the Indenture, the Trustee may, upon receiving the prior written consent of the Credit Provider, and must, upon the written direction of the Credit Provider requiring that the Bonds be accelerated pursuant to this subsection, by written notice to the Issuer, the Borrower, the Credit Provider and the Loan Servicer (from and after the Conversion Date), declare the principal of all Bonds and the interest accrued, and to accrue, on the Bonds to the date of declaration immediately due and payable.

Redemption and Mandatory Tender. Upon the occurrence of an Event of Default as a result of an event of default under the Reimbursement Agreement:

(a) if the Credit Provider so directs pursuant to the Indenture, the Bonds will be redeemed in whole or in part in the amount specified by and at the direction of the Credit Provider; or

(b) if the Credit Provider so directs pursuant to the Indenture, the Bonds will be subject to mandatory tender.

Notwithstanding anything to the contrary in the Indenture, if the Credit Provider directs that the Bonds be redeemed in part pursuant to the Indenture, the Credit Provider may further direct on one or more other occasions under this subsection that the Bonds be redeemed in whole or in part or that the Bonds be subject to mandatory tender. See "THE BONDS — Redemption Provisions — Mandatory Redemption — After an Event of Default Under the Reimbursement Agreement."

Notice

Acceleration. Upon any decision to accelerate payment of the Bonds, the Trustee will notify the Credit Provider, the Loan Servicer and the Bondholders (other than Holders of Excluded Bonds) of the declaration of acceleration, that, in the event of acceleration as described in subparagraph (b) above under "Acceleration" above, interest on the Bonds will cease to accrue upon such declaration, and payment of the Bonds will be made upon presentment of the Bonds at the Designated Office of the Trustee. Such notice will be sent by registered mail or overnight delivery service, postage prepaid, or, at the Trustee's option, may be given by Electronic Means to each Registered Owner of Bonds at such Registered Owner's last address appearing in the Bond Register. Any defect in or failure to give notice of such declaration will not affect the validity of such declaration.

Redemption. Upon the direction of the Credit Provider to redeem the Bonds in whole or in part pursuant the Indenture and as provided in the Indenture, immediate notice of redemption will be given to the Bondholders (other than Holders of Excluded Bonds).

Mandatory Tender. Upon any direction of the Credit Provider that the Bonds be subject to mandatory tender, the Trustee will give notice to the Bondholders (other than Holders of Excluded Bonds) as provided in the Indenture.

Payment Under Credit Facility

Immediately upon acceleration, mandatory redemption or mandatory tender of the Bonds, the Trustee will draw on the Letter of Credit, request an Advance under the Fannie Mae Credit Facility, or Draw on the Alternate Credit Facility then in effect, as applicable, in accordance with its terms.

Other Remedies

Upon the occurrence and continuance of an Event of Default under the Indenture, the Trustee may, with or without taking action under the terms of the Indenture governing acceleration of the Bonds (as described under "Acceleration" above), but only with the prior written consent of the Credit Provider, and must at the direction of the Credit Provider if the Event of Default occurs under the Indenture as described in paragraphs (c), (d) or (e) under "Events of Default" above, pursue any of the following remedies:

(a) an action in mandamus or other suit, action or proceeding at law or in equity (i) to enforce the payment of the principal of and interest and any premium on the Bonds, (ii) for the specific performance of any covenant or agreement contained in the Indenture, the Financing Agreement or the Regulatory Agreement or (iii) to require the Issuer to carry out any other covenant or agreement with Bondholders (other than Holders of Excluded Bonds) and to perform its duties under the Act;

(b) the liquidation of the Trust Estate; or

(c) an action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders (other than Holders of Excluded 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 (other than Holders of Excluded Bonds) against the Issuer allowed in any bankruptcy or other proceeding.

Subject to the provisions of the Indenture governing rights of the Credit Provider and the Bondholders to direct proceedings and the requirement, if any, that the Credit Provider consent in writing to the exercise by the Trustee of any remedy, upon the occurrence and continuance of an Event of Default under the Indenture, the Trustee will exercise such of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, deems most effective to enforce and protect the interests of the Bondholders and, unless a Wrongful Dishonor has occurred and is continuing, the Credit Provider.

Waiver

Subject to the conditions precedent set out below, (i) the Trustee may waive, (ii) the Trustee will waive if directed to do so by the Credit Provider and the Bank in writing, and (iii) Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding may waive, by written notice to the Trustee, any Event of Default under the Indenture and its consequences and rescind any declaration of acceleration of maturity of principal. The conditions precedent to any waiver are:

(a) unless waiver is directed by the Credit Provider, the Credit Provider consents to such waiver in writing;

(b) the principal and interest on the Bonds in arrears, together with interest thereon (to the extent permitted by law) at the applicable rate or rates of interest borne by the Bonds has been paid or provided for by the Borrower in Available Moneys or by the Credit Provider and all fees and expenses of the Trustee have been paid or provided for by the Borrower or the Credit Provider; and

(c) after the waiver, the Credit Facility remains in effect in an amount equal to the aggregate principal amount of the Bonds Outstanding plus the Interest Requirement, provided, however, that such waiver will be permitted without the Credit Facility remaining in effect if (i) the Issuer consents to the waiver, (ii) the Rating Agency then rating the Bonds is notified and the Trustee gives written notice to the Bondholders that the ratings on the Bonds may be reduced or withdrawn upon the occurrence of such waiver, and (iii) 100% of the Bondholders consent to the waiver.

Upon any such waiver, the default or Event of Default will be deemed cured and will cease to exist for all purposes and the Issuer, the Borrower, the Trustee and the Bondholders will be restored to their former positions and rights under the Indenture. No waiver of any default or Event of Default will extend to or affect any subsequent default or Event of Default or will impair any right or remedy consequent thereto.

Rights of the Credit Provider and the Bondholders to Direct Proceedings

Notwithstanding anything contained in the Indenture to the contrary, the Credit Provider itself (except in the case of a continuing Wrongful Dishonor) or Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding, but only with the prior written consent of the Credit Provider, will have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the Indenture, provided, however, that such direction will not be otherwise than in accordance with the provisions of law and of the Indenture, and provided that the Trustee will be indemnified to its reasonable satisfaction (except for actions required under the provisions of the Indenture governing acceleration of the Bonds).

No Bondholder has or will have the right to enforce the provisions of the Indenture, the Financing Agreement, the Regulatory Agreement or any other Transaction Document or to institute any proceeding in equity or at law for the enforcement of the Indenture, the Financing Agreement, the Regulatory Agreement or any other Transaction Document, or to take any action with respect to an Event of Default under the Indenture, the Financing Agreement, the Regulatory Agreement or any other Transaction Document, or to institute, appear in or defend any suit or other proceeding with respect to the Indenture, the Financing Agreement, the Regulatory Agreement, or any other Transaction Document upon an Event of Default unless (i) such Event of Default is a Wrongful Dishonor, (ii) such Bondholder has given the Trustee, the Issuer, the Credit Provider, the Loan Servicer (from and after the Conversion Date) and the Borrower written notice of the Event of Default, (iii) the holders of not less than 51% in aggregate principal amount of Bonds then Outstanding have requested the Trustee in writing to institute such proceeding, (iv) the Trustee has been afforded a reasonable opportunity to exercise its powers or to institute such proceeding, (v) the Trustee has been offered reasonable indemnity, where required, and (vi) the Trustee has thereafter failed or refused to exercise such powers or to institute such proceeding within a reasonable period of time. No Bondholder has or will have any right in any manner whatever to affect, disturb or prejudice the pledge of revenues or of any other moneys, Funds, Accounts or securities under the Indenture. Except as described in this paragraph, no Bondholder has or will have under the Indenture the right, directly or indirectly, individually or as a group, to seek to enforce, collect amounts available under, or otherwise realize on, the Credit Facility.

Application of Moneys

Amounts derived from payments under the Credit Facility (other than amounts derived from an Issuer's Fee Advance under the Fannie Mae Credit Facility to pay the Issuer Administration Fee) will be deposited into the Credit Facility Account and applied solely to pay the principal of and interest on the Bonds. Amounts on deposit in the Bond Purchase Fund will be applied solely to pay the purchase price of the Bonds. All other moneys received by the Trustee pursuant to any action taken under the terms of the Indenture governing Events of Default under the Indenture and remedies therefor, subject to the provisions of the Indenture governing the application of certain moneys at the direction of the Credit Provider (as described herein under the heading "Certain Moneys to be Applied at the Direction of the Credit Provider") will be deposited into the Interest Account and the Redemption Account, as applicable, after payment of the ordinary costs and expenses of the Trustee and less such amounts as the Trustee determines may be needed for possible use in paying future fees and expenses and for the preservation and management of the Development (as identified by the Credit Provider), are to be applied as set out below:

Unless the principal on all Bonds has become or been declared due and payable, all moneys will be applied:

First - to the payment of all interest then due on the Bonds, in the order of the maturity of such interest and, if the amount available is not sufficient to pay in full said amount, then to the payment ratably, of the amounts due on such payment, without any discrimination or privilege;

Second - to the payment of the unpaid principal of any of the Bonds which have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the Indenture), in the order of due dates, with interest upon the principal amount of the Bonds from the respective dates upon which they become due at the rate or rates borne by the Bonds, to the extent permitted by law, and, if the amount available is not sufficient to pay in full the principal of such Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled to such payment without any discrimination or privilege; and

Third - to the payment of amounts owed to the Credit Provider under the Credit Facility Documents and the Loan Documents, and then to any amounts due to the Trustee for Extraordinary Trustee Costs, for this purpose including the costs and expenses of any proceedings resulting in the collection of such moneys and of advances incurred or made by the Trustee.

If the principal of all the Bonds has become or been declared due and payable, all such moneys will be applied first, to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably according to the amounts due respectively for principal and interest to the persons entitled to payment, until all such principal and interest has been paid; second, to pay the Credit Provider amounts owed to it under the Credit Facility Documents and the Loan Documents; and third, to any other amounts due and payable under the Indenture (including, after all other payments as set forth above, the payment of Excluded Bonds, if any).

Whenever moneys are to be applied pursuant to the terms of the Indenture described herein under "Application of Moneys," such moneys will be applied at such times, and from time to time, as the Trustee determines, having due regard for the amount of such moneys available for application, the likelihood of additional moneys becoming available for such application in the future, and potential expenses relating to the exercise of any remedy or right conferred on the Trustee by the Indenture. Whenever the Trustee applies such moneys, it will fix the date (which will be an Interest Payment Date unless it deems an earlier date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date will cease to accrue unless interest has already ceased to accrue in accordance with the Indenture. The Trustee will give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and will not be required to make payment to the owner of any Bond until such Bond is presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

The Trustee

The Trustee has been appointed and agreed to act in such capacity and to perform the duties of the Trustee under the Indenture, the Financing Agreement, the Assignment, the Regulatory Agreement and the other Bond Documents upon the express terms and conditions of the Indenture.

Qualification. The Trustee and any successor Trustee will at all times be a bank or trust company organized under the laws of the United States of America or any state, authorized under such laws to exercise corporate trust powers, having a combined capital stock, surplus and undivided profits of at least $50,000,000 (or an affiliate of a corporation or banking association meeting that requirement which guarantees the obligations and liabilities of the Trustee) and subject to supervision or examination by federal or state banking authority.

Resignation or Removal of Trustee. The Trustee may resign only upon giving 60 days prior written notice to the Issuer, the Credit Provider, the Loan Servicer (from and after the Conversion Date), the Borrower and to each Registered Owner of Bonds then Outstanding as shown on the Bond Register. The Trustee may be removed at any time upon 30 days prior written notice to the Trustee, (i) by the Issuer, with the prior written consent of the Credit Provider, (ii) by the owners of not less than 51% in aggregate principal amount of Bonds (other than Excluded Bonds) then Outstanding, which written instrument will designate a successor Trustee approved by the Credit Provider, or (iii) by the Credit Provider. Such resignation or removal will not be effective until a successor Trustee satisfying the requirements of the Indenture is appointed and has accepted its appointment.

Appointment of Successor Trustee. Upon the resignation or removal of the Trustee, a successor Trustee, satisfying the requirements of the Indenture, will be appointed by the Issuer with the prior written consent of the Credit Provider (unless appointed by the Bondholders as provided in the Indenture) and the Borrower, provided that the Borrower's consent shall not be required if any default, Event of Default, or Potential Default by the Borrower has occurred and is continuing under any Transaction Document. If, in the case of resignation or removal of the Trustee, no successor is appointed within 30 days after the notice of resignation or within 30 days after removal, as the case may be, then, in the case of a resignation, the resigning Trustee will appoint a successor with the prior written consent of the Issuer and the Credit Provider or is to apply to a court of competent jurisdiction for the appointment of a successor Trustee and, in the case of a removal, the Credit Provider will have the right to appoint a successor Trustee or to apply to a court of competent jurisdiction for the appointment of a successor Trustee. The successor Trustee must accept in writing its duties and responsibilities under the Indenture, the Financing Agreement, the Assignment, the Regulatory Agreement and the other Bond Documents.

The Tender Agent

The initial Tender Agent is the Bank of New York Trust Company, N.A. The Tender Agent will designate to the Trustee, the Issuer, the Remarketing Agent and the Credit Provider its Designated Office and signify its acceptance of the duties and obligations imposed upon it under the Indenture by a written instrument of acceptance delivered to the Trustee under which such Tender Agent will agree particularly to: (a) act as agent for the Trustee for the purpose of authenticating, accepting delivery of and delivering Bonds in accordance with the provisions of the Indenture relating to authentication and delivery of Bonds; (b) forward to the Trustee immediately after completion of such authentication the names, addresses, taxpayer identification numbers or social security numbers of all persons in whose names the Bonds are to be registered; (c) deliver authenticated and registered Bonds to or to the order of the persons in whose names such Bonds are registered; (d) as agent for the Trustee, hold all moneys delivered to it for the purchase of Bonds in trust in the Bond Purchase Fund for the account of the person who delivered such moneys until the Bonds purchased with such moneys have been registered, authenticated and delivered to or to the order of such person; and (e) hold all Bonds delivered to it for purchase in trust for the owner of such Bonds until such owner has received the purchase price for such Bonds.

The Tender Agent will be entitled to the same protections, immunities and limitations from liability afforded the Trustee under the Indenture. The Issuer will cooperate with the Trustee, the Borrower and the Credit Provider to cause the necessary arrangements to be made and to be continued by which amounts from the sources specified in the Indenture and in the Financing Agreement are to be made available for the purchase of Bonds presented at the Designated Office of the Tender Agent, and by which Bonds, executed by the Issuer and to be authenticated by the Tender Agent, are to be made available to the Tender Agent to the extent necessary for delivery pursuant to the terms of the Indenture.

The Tender Agent may resign by giving no less than 30 days prior written notice to the Borrower, the Trustee, the Credit Provider, the Loan Servicer and the Issuer. The Tender Agent may be removed by the Borrower or the Issuer with the written approval of the Credit Provider, by an instrument signed by the Borrower stating the reason for such removal filed with the Tender Agent, the Trustee, the Credit Provider and the Issuer. No removal of the Tender Agent will be effective until a successor Tender Agent has been appointed and has accepted such appointment. Failing such appointment by the Issuer prior to the effective date of the Tender Agent's resignation, the Credit Provider will have the right to appoint a successor Tender Agent acceptable to the Issuer. Any successor Tender Agent will be a trust company or bank having trust powers and in good standing, within or without the State. The provisions described in this paragraph will apply if the resignation of the Tender Agent is due to the fact that the Tender Agent no longer exists. In no event will the resignation or removal of the Tender Agent take effect prior to the date a successor Tender Agent has been appointed and is serving under the Indenture and the Tender Agent Agreement.

Supplemental Indentures; Amendments

Supplemental Indentures Not Requiring Bondholder Consent. The Issuer and the Trustee, without the consent of or notice to any Bondholder, may enter into an indenture or indentures supplemental to the Indenture for one or more of the following purposes:

(a) to cure any ambiguity or to correct or supplement any provision contained in the Indenture or in any supplemental indenture which may be defective or inconsistent with any other provision contained in the Indenture or in any supplemental indenture;

(b) to amend, modify or supplement the Indenture in any respect if, in the judgment of the Trustee, such amendment, modification or supplement is not materially adverse to the interests of the Bondholders;

(c) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to grant or pledge to the Trustee for the benefit of the Bondholders any additional security other than that granted or pledged under the Indenture;

(d) to modify, amend or supplement the Indenture in such manner as to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute then in effect, or to permit the qualification of the Bonds for sale under the securities laws of any of the States of the United States;

(e) to appoint a successor trustee, separate trustee or co-trustee, or a separate Tender Agent or Bond Registrar;

(f) to make any change requested by the Credit Provider which is not materially adverse to the interests of the Bondholders, including, but not limited to, provision of a Credit Facility other than or in substitution for the initial Credit Facility, provided that the provision of such other Credit Facility does not adversely affect the rating then in effect for the Bonds;

(g) to make any changes in the Indenture or in the terms of the Bonds necessary or desirable in order to maintain the then current rating awarded to the Bonds by the Rating Agency or otherwise to comply with requirements of any Rating Agency then rating the Bonds;

(h) to comply with the Code, the Act and the Regulations and rulings issued with respect to the Code, to the extent determined as necessary in the Opinion of Bond Counsel;

(i) to modify, alter, amend or supplement the Indenture in any other respect, including amendments which would otherwise be described in the provisions of the Indenture governing supplemental indentures requiring Bondholder consent (as described in "Supplemental Indentures Requiring Bondholder Consent" below), (1) if such amendments will take effect on a Mandatory Tender Date following the purchase of Tendered Bonds or (2) if notice of the proposed supplemental indenture is given to Bondholders (in the same manner as notices of redemption are given) at least 15 days before the effective date of such amendment, modification, alteration or supplement and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to the Indenture;

(j) to change any of the time periods for provision of notice relating to the remarketing of Bonds or the determination of the interest rate on the Bonds; and

(k) to implement or modify any secondary market disclosure provision regarding the Bonds, the Development or the Borrower.

If the Trustee has received written confirmation from the Rating Agency to the effect that such supplemental indenture will not result in the suspension, withdrawal or reduction of the then current rating on the Bonds and all conditions precedent in the Indenture have been satisfied, the Trustee will join the Issuer in the execution of any such supplemental indenture.

Supplemental Indentures Requiring Bondholder Consent. The Issuer and the Trustee may, with the consent of Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding, from time to time, execute indentures supplemental to the Indenture for the purpose of modifying, amending any of the provisions of the Indenture provided, however, that no terms of the Indenture described under this heading "Supplemental Indentures Requiring Bondholder Consent" permits, or will be construed as permitting:

(a) an extension of the maturity of the principal of or interest on, or the mandatory redemption date of, any Bond, without the consent of the owner of such Bond;

(b) a reduction in the principal amount of, or the rate of interest on, any Bond, without the consent of the owner of such Bond;

(c) a preference or priority of any Bond or Bonds over any other Bond or Bonds, without the consent of the owners of all such Bonds;

(d) the creation of a lien prior to or on parity with the lien of the Indenture, without the consent of the owners of all of the Bonds then Outstanding;

(e) a change in the percentage of Bondholders necessary to waive an Event of Default under the Indenture or otherwise approve matters requiring Bondholder approval under the Indenture, including consent to any supplemental indenture, without the consent of the owners of all the Bonds then Outstanding;

(f) a transfer, assignment or release of the Credit Facility (or modification of the provisions of the Indenture governing such transfer, assignment or release), other than as permitted by the Indenture or the Credit Facility, without the consent of the owners of all of the Bonds then Outstanding;

(g) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture, without the consent of the holders of all of the Bonds then Outstanding;

(h) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding under the Indenture, without the consent of the holders of all of the Bonds then Outstanding; or

(i) the amendment of the provisions of the Indenture described under this heading "Supplemental Indentures Requiring Bondholder Consent," without the consent of the holders of all of the Bonds then Outstanding.

Notice of any amendment pursuant to the terms of the Indenture described above is to be given to the Bondholders promptly following the execution of such amendment.

No Bondholder Consent Required for Amendment to Loan Documents

Unless a Wrongful Dishonor has occurred and is continuing, the Credit Provider alone may consent to any amendment to the Loan Documents and no consent of the Bondholders is required; provided, however, that any amendment or substitution of the Note is to occur only following written confirmation of the Rating Agency that such amendment or substitution will not result in a reduction or withdrawal of the rating on the Bonds.

Amendments to the Credit Facility

The Credit Facility may only be amended, supplemented or otherwise changed in accordance with the following:

At the request of the Credit Provider, the Trustee will exchange the Credit Facility with the Credit Provider for a new Credit Facility (a "Replacement Credit Facility") issued by the Credit Provider, provided that there is delivered to the Trustee (i) a written confirmation from the Rating Agency to the effect that such exchange will not adversely affect the rating then in effect for the Bonds and (ii) a favorable Opinion of Bond Counsel. No such exchange will require the approval of the Issuer, the Trustee or any of the Bondholders or constitute or require a modification or supplement to the Indenture.

The Trustee may consent, without the consent of the owners of the Bonds, to any amendment to the Credit Facility not otherwise addressed in the immediately preceding paragraph which does not prejudice in any material respect the interest of the Bondholder. Except as otherwise described herein under the heading "Amendments to the Credit Facility," the Credit Facility may be amended only with the consent of the Trustee and the owners of a majority of all Outstanding Bonds. No amendment may be made to the Credit Facility which would reduce the amounts required to be paid under the Credit Facility or change the time for payment of such amounts; provided, however, that any such amounts may be reduced without such consent solely to the extent that such reduction represents a reduction in any fees payable from such amounts.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT

The following is a brief summary of certain provisions of the Financing Agreement that have not been described elsewhere in this Official Statement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Financing Agreement, a copy of which is on file with the Trustee.

The Loan

The Issuer has authorized the issuance of the Bonds in the aggregate principal amount of $15,000,000. The Issuer has agreed to make the Loan in the amount of $15,000,000 to the Borrower with the Net Bond Proceeds. Upon the issuance, delivery and payment for the Bonds, the Issuer will deliver the Net Bond Proceeds to the Trustee. The Loan will be deemed made in full upon deposit of the Net Bond Proceeds into the Loan Fund. The Borrower has accepted the Loan from the Issuer upon the terms and conditions set forth in the Financing Agreement and the Loan Documents, subject to the terms of the Indenture, the Regulatory Agreement and the Assignment. Disbursements will be made from the Loan Fund as provided in the Indenture. The Borrower has agreed in the Financing Agreement to apply the proceeds of the Loan to pay the costs of acquiring, constructing and equipping the Mortgaged Property.

The Loan will be evidenced by, payable in accordance with, and bear interest at the rates and on the terms provided in, the Note and secured by the Security Instrument. Pursuant to the Note, the primary obligation of the Borrower is to pay the principal of, premium, if any, and Interest on the Note at the times and in the amounts necessary to pay all principal of, premium, if any, and interest on the Bonds as they become due, whether at maturity, by acceleration, by optional, mandatory or mandatory sinking fund redemption or otherwise.

The Borrower has agreed to cause credit enhancement for the Loan or the Bonds (other than Excluded Bonds) and liquidity support for the Bonds (other than Excluded Bonds) to be in effect in the amounts and during the periods as required by the Indenture. From time to time, the Borrower may arrange for the delivery to the Trustee of one or more Alternate Credit Facilities meeting the requirements of the Indenture and the requirements of the Financing Agreement (set forth below) in substitution for the Credit Facility then in effect.

Prior to the Conversion Date, the Borrower may, upon satisfaction of the conditions set forth in the Indenture, arrange for the delivery to the Trustee of an Alternate Credit Facility in substitution for the Letter of Credit, but only if (a) the Alternate Credit Facility by its terms, has a term expiring no earlier than 30 days following the Termination Date and (b) terminates on the Conversion Date upon the Trustee's receipt of the Fannie Mae Credit Facility. Except as provided below, on the Conversion Date, the Fannie Mae Credit Facility, and only the Fannie Mae Credit Facility, will be substituted for the Credit Facility then in effect; provided, however, that Fannie Mae's obligation to provide the Fannie Mae Credit Facility is subject to the satisfaction of all the terms and conditions of the Fannie Mae Commitment and the satisfaction of all of the Conditions to Conversion set forth in the Conversion Agreement on or before the Termination Date. After the earlier of the Conversion Date or the Transition Date, the Borrower may, upon satisfaction of the conditions set forth in the Indenture, arrange for the delivery to the Trustee of an Alternate Credit Facility in substitution for the Credit Facility then in effect.

Payment of Fees, Costs and Expenses

The Borrower will pay when due, without duplication, the fees, expenses and other sums set forth below.

Fees Due at Closing. The Borrower will pay or provide for the payment of all Costs of Issuance and the Trustee's acceptance fee, if any, and the Trustee's Annual Fee and the Issuer Fee for the period stipulated in the definition of each such term, on the Closing Date.

Third Party Fees. The Borrower will pay the Third Party Fees on a monthly basis on or before the 15th day of each month. Each monthly payment will be in an amount equal to the aggregate of all of the Third Party Fees prorated monthly so that the Trustee will have the full amount of each fee available in the Fees Account to pay each Third Party Fee as it becomes due without regard to whether any Third Party Fee is payable monthly, annually or on any other periodic basis. The Third Party Fees are as follows:

(a) Issuer. The Issuer's Fee and all costs and expenses incurred by the Issuer at any time in connection with the Bonds.

(b) Trustee. The Trustee's Annual Fee, and, without duplication, all advances, out-of-pocket expenses, fees, costs and other charges reasonably and necessarily incurred by the Trustee under the Indenture.

(c) Tender Agent. The fees, costs and expenses of the Tender Agent, all advances, out-of-pocket expenses, fees, costs and other charges reasonably and necessarily incurred by the Tender Agent in performing its duties as Tender Agent under the Indenture and the Pledge Agreement.

(d) Asset Oversight Agent. The Asset Oversight Agent's Fee and all costs and expenses incurred by the Asset Oversight Agent at any time in connection with the Bonds.

Fees and Expenses. The Borrower has agreed in the Financing Agreement to pay the following fees and expenses:

(a) The annual rating maintenance fee of each Rating Agency.

(b) Extraordinary Trustee Costs.

(c) The quarterly fee of the Remarketing Agent for its remarketing services.

(d) The annual continuing fee of the Rebate Analyst, if any, for its rebate calculation services.

(e) All advances, out-of-pocket expenses, costs and other charges of each of the Asset Oversight Agent, the Issuer, the Rebate Analyst, the Remarketing Agent, the Tender Agent and the Trustee incurred from time to time, but only to the extent that any such amounts are payable by the Borrower pursuant to an agreement between the Borrower and such Person regarding its services in connection with the Bonds or the Loan.

(f) All costs of registering, printing, reprinting, preparing and delivering any replacement bonds required under the Indenture and in connection with the registration, printing, reprinting or transfer of Bonds.

(g) All fees, costs and expenses of any change in Mode or of any tender, purchase, redemption, remarketing or reoffering of any Bonds. The fees, costs and expenses of any tender, purchase, remarketing or reoffering of Bonds must be paid by the Borrower in advance in accordance with the Remarketing Agreement or other agreement relating to the remarketing or reoffering of the Bonds.

(h) All fees, costs and expenses in connection with Conversion.

The Borrower has agreed to timely honor any demand for payment by the Trustee pursuant to the Indenture on account of any insufficiency in the Fees Account.

Borrower's Obligations upon Tender of Bonds

If any Tendered Bond is not remarketed on any Tender Date and a sufficient amount is not available in the Bond Purchase Fund for the purpose of paying the purchase price of such Bond, the Borrower will cause to be paid to the Trustee pursuant to the Credit Facility or otherwise pay by the applicable times provided in the Indenture, an amount equal to the principal amount of all Bonds tendered and not remarketed, together with interest accrued to the Tender Date.

Obligation of the Borrower to Pay Deficiencies

The Borrower will pay any deficiency resulting from any loss due to a default under any investment in any Fund or Account or a change in value of any investment.

Nature of Borrower's Obligations;
Security for the Obligations

To the fullest extent permitted by law, the obligations of the Borrower to make all payments and perform its other obligations under the Financing Agreement will be absolute, unconditional and irrevocable, will be paid and performed strictly in accordance with the applicable Transaction Documents under all circumstances, including, without limitation, the following circumstances: (a) any invalidity or unenforceability of the Credit Facility or any of the other Transaction Documents; (b) any amendment or waiver of, or any consent to departure from, the terms of the Credit Facility or any of the other Transaction Documents, any extension of time or other modification of the terms and conditions for any act to be performed in connection with the Credit Facility or any of the other Transaction Documents; (c) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against the Issuer, the Trustee, the Tender Agent, the Credit Provider, the Loan Servicer, the Remarketing Agent, the Asset Oversight Agent or any other Person, whether in connection with any of the Transaction Documents, the Mortgaged Property, or any unrelated transaction; (d) the surrender or impairment of any security for the performance or observance of any of the agreements or terms of any of the Transaction Documents; (e) defect in title to the Mortgaged Property, any act or circumstance that may constitute failure of consideration, destruction of, damage to or condemnation of the Mortgaged Property, commercial frustration of purpose, or any change in the tax or other laws of the United States of America or of the State or any political subdivision of either, (f) the breach by the Issuer, the Trustee, the Tender Agent, the Remarketing Agent, the Credit Provider, the Loan Servicer or any other Person of any of its obligations under any Transaction Document; or (g) any other circumstance, happening or omission whatsoever, whether or not similar to any of the foregoing.

The obligations of the Borrower under the Financing Agreement and the obligations of the Borrower under the Regulatory Agreement for the payment of money, including the obligations of the Borrower with respect to the Reserved Rights, shall be (a) unsecured general obligations of the Borrower with recourse to the Borrower personally and (b) subordinate and junior in priority, right of payment and all other respects to any and all obligations of the Borrower under the Loan Documents and to the Credit Provider under or in respect of the Credit Facility Documents. Nothing in this paragraph shall apply to the obligations of the Borrower under any of the Loan Documents.

All obligations of the Borrower under the Financing Agreement and under the Regulatory Agreement, including the obligations of the Borrower with respect to the Reserved Rights, will not be secured by the Security Instrument and will not constitute a lien on the Mortgaged Property in any manner.

No subsequent owner of the Mortgaged Property (including the Credit Provider as a result of a foreclosure, a deed in lieu of foreclosure or comparable conversion of the Loan) will be liable for any breach or default of any obligation of any prior owner under the Regulatory Agreement or the Financing Agreement, including any payment or indemnification obligation. The owner of the Mortgaged Property at the time any default or breach occurs will remain liable for any and all damages occasioned by such default or breach even after such Person ceases to be the owner. Upon seeking to collect such damages, neither the Issuer nor the Trustee will have recourse against or the right to levy against or otherwise collect on any judgment from the Mortgaged Property.

Covenants Regarding the 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. The Borrower agrees that, among other things:

(a) (i) During such time that an amount of Net Proceeds of Bonds that is less than 40% of the Sale Proceeds has been spent, then all of the Net Proceeds of the Bonds will have been applied to the payment of Qualified Project Costs that are costs of a "qualified residential rental project" (within the meaning of Sections 142(a)(7) and 142(d) of the Code) and property that is "functionally related and subordinate" thereto (within the meaning of Sections 1.103-8(a)(3) and 1.103-8(b)(4)(iii) of the Regulations) except for expenditures for Costs of Issuance, provided that amounts expended for Costs of Issuance do not exceed 2% of the Sale Proceeds. (ii) once an amount of Net Proceeds of the Bonds that is 40% or more than 40% of the Sale Proceeds has been spent, then at least 95% of the Net Proceeds of the Bonds actually expended will be used to pay Qualified Project Costs that are costs of a "qualified residential rental project" (within the meaning of Sections 142(a)(7) and 142(d) of the Code) and property that is "functionally related and subordinate" thereto (within the meaning of Sections 1.103-8(a)(3) and 1.103-8(b)(4)(iii) of the Regulations);

(b) Less than 25% of the Net Proceeds of the Bonds actually expended will be used, directly or indirectly, for the acquisition of land or an interest therein;

(c) No portion of the Proceeds of the Bonds in excess of 2% of the Sale Proceeds will be expended to pay Costs of Issuance of the Bonds within the meaning of Section 147(g) of the Code;

(d) The Borrower will not use or permit the use of any Proceeds of the Bonds or any income from the investment thereof to provide any airplane, skybox, or other private luxury box, health club facility, any facility primarily used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises;

(e) The Borrower will not take any action or omit to take any action with respect to the Gross Proceeds of the Bonds or of any amounts expected to be used to pay the principal thereof or the interest thereon which, if taken or omitted, respectively would cause any Bond to be classified as an "arbitrage bond" within the meaning of Section 148 of the Code. The Borrower has agreed to take all steps necessary to compute and pay any rebatable arbitrage in accordance with Section 148(f) of the Code;

(f) Except to the extent permitted by Section 149(b) of the Code and the Treasury Regulations and rulings thereunder, the Borrower will not take or omit to take any action which would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code and the Treasury Regulations and rulings thereunder; and

(g) No portion of the Net Bond Proceeds will be used for the acquisition of any existing property or an interest therein unless (A) the first use of such property is pursuant to such acquisition or (B) the rehabilitation expenditures with respect to any building and the equipment therefor equal or exceed 15 percent of the cost of acquiring such building financed with the proceeds of the Bonds (with respect to structures other than buildings, this clause will be applied by substituting 100 percent for 15 percent). For purposes of the preceding sentence, the term "rehabilitation expenditures" will have the meaning set forth in section 147(d)(3) of the Code.

Borrower's Obligations

The Borrower has released the Issuer, the Trustee, the Tender Agent, the Dissemination Agent and their respective officers, directors, agents, officials, employees (and, as to the Issuer, members of its governing body) and any person who controls the Issuer, the Trustee, the Dissemination Agent or the Tender Agent within the meaning of the Securities Act of 1933, from, and has covenanted and agreed to indemnify, hold harmless and defend the Issuer, the Trustee, the Dissemination Agent, the Tender Agent and their respective officers, directors, employees, agents, members of its governing body, officials and any person who controls such party within the meaning of the Securities Act of 1933 and employees and each of them from and against, any and all losses, claims, demands, damages, liabilities and expenses (including attorneys' fees and expenses), taxes, causes of action, suits and judgments of any nature, joint or several, by or on behalf of any person arising out of certain events as further described in the Financing Agreement.

Events of Default and Remedies

Events of Default. The occurrence of any one or more of the following events will constitute an Event of Default under the Financing Agreement:

(a) The Borrower fails to pay when due any amount payable by the Borrower under the Financing Agreement.

(b) The Borrower fails to observe or perform any covenant or obligation in the Financing Agreement for a period of 30 days after receipt of written notice from the Trustee specifying such failure and requesting that it be remedied, provided, however, that if the failure cannot be corrected within such period, it will not constitute an Event of Default if the failure is correctable without material adverse effect on the validity or enforceability of the Bonds or on the exclusion from gross income, for federal income tax purposes, of the interest on the Bonds, and if corrective action is instituted by the Borrower within such period and diligently pursued until the failure is corrected, and provided further that any such failure is cured within 90 days of receipt of notice of such failure.

(c) The Credit Provider provides written notice to the Trustee of an Event of Default under the Financing Agreement by reason of the occurrence of an Event of Default under the Reimbursement Agreement.

Remedies upon an Event of Default. Subject to the Assignment, whenever any Event of Default occurs and is continuing under the Financing Agreement, the Issuer, or the Trustee acting on behalf of the Issuer, may take one or any combination of the following remedial steps:

(a) by written notice to the Borrower, declare all amounts then due and payable on the Note to be immediately due and payable;

(b) exercise any of the rights and remedies provided in the Loan Documents; and

(c) take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and afterward to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Financing Agreement.

No Levy or Other Execution against Mortgaged Property

Neither the Issuer nor the Trustee will have any right to levy, execute or enforce any judgment in respect of the Borrower's obligations under the Financing Agreement, including the Reserved Rights, against the Mortgaged Property or any other property of the Borrower that secures the obligations of the Borrower under the Loan or to the Credit Provider under any of the Credit Facility Documents.

Waiver and Annulment

Unless the Credit Provider otherwise consents in writing, neither the Issuer nor the Trustee may waive or annul any Event of Default under the Financing Agreement unless (a) all amounts that would then be payable under the Financing Agreement by the Borrower if such Event of Default had not occurred and was not continuing, are paid by or on behalf of the Borrower, and (b) the Borrower also performs all other obligations in respect of which it is then in default under the Financing Agreement and pays the charges and expenses of the Issuer and the Trustee, including attorneys' fees and expenses paid or incurred in connection with such default. No waiver or annulment will extend to or affect any subsequent Event of Default or impair any right or remedy consequent on such Event of Default.

No Remedy Exclusive

All rights and remedies provided in the Financing Agreement are cumulative, nonexclusive and in addition to any and all rights and remedies that the Issuer and the Trustee may have or may be given by reason of any law, statute, ordinance or otherwise.

No Waiver

No delay or omission to exercise any right or power accruing upon any Event of Default under the Financing Agreement will impair any such right or power or will be construed to be a waiver of such Event of Default, but any such right or power may be exercised from time to time and as often as may be deemed expedient.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT

The following is a brief summary of certain provisions of the Regulatory Agreement that have not been described elsewhere in this Official Statement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Regulatory Agreement, a copy of which is on file with the Trustee.

The Borrower will execute the Regulatory Agreement with respect to the Development. The Regulatory Agreement contains representations and covenants of the Borrower concerning the acquisition, construction, and equipping of the Development and the tax-exempt status of the Bonds that must be complied with continuously subsequent to the date of issuance of the Bonds in order that interest on the Bonds be excluded from gross income for federal income tax purposes. For purposes of the Regulatory Agreement the following terms have the meanings set forth below.

"*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.

"*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, Owner's counsel, Underwriter's counsel, Fannie Mae's counsel, Construction Lender's counsel and Loan 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 Fannie Mae and the Loan 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 and charges and fees in connection with the foregoing.

"*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 shall count as Eligible Tenants.

"*Housing Act*" means the United States Housing Act of 1937, as amended, or a successor thereto.

"*Investment Proceeds*" is defined in Section 1.148-1(b) of the Regulations and generally consists of any amounts actually or constructively received from investing Proceeds.

"*Issue Price*" means "issue price" as defined in Sections 1273 and 1274 of the Code, unless otherwise provided in Sections 1.148-0 through 1.148-11 of the Regulations and, generally, is the aggregate initial offering price (excluding to bond houses, brokers and similar persons or organizations acting in the capacity of wholesalers or underwriters) at which a substantial amount (at least 10 percent) of each maturity of Bonds is sold to the public.

"*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 under 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. The determination of a tenant's status as a Low-Income Tenant will be made by the Owner upon initial occupancy of a Unit by such tenant, and annually thereafter, on the basis of a Tenant Income Certification executed by each tenant; provided, however that once a tenant qualifies as a Low-Income Tenant, such tenant will continue to qualify annually upon recertification except as provided in the Regulatory Agreement.

"*Low-Income Unit*" means a Unit that is included as a Unit satisfying the requirements of the Set Aside.

"*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 Housing and Urban Development, 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.

"*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.

"*Proceeds*" is defined in Section 1.148-1(b) of the Regulations and generally means any Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Bonds.

"*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 at least 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.

"*Regulations*" means the applicable proposed, temporary or final Income Tax Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

"*Related Person*" has the meaning set forth in Section 144(a)(3) of the Code, and generally means a partner of the Owner, a person whose relationship with the Owner would result in a disallowance of losses under Section 267 or 707(b) of the Code or a person who, together with the Owner, is a member of the same controlled group of corporations (as defined in Section 1563(a) of the Code, except that "more than 50 percent" will be substituted for "at least 80 percent" each place it appears therein).

"*Sale Proceeds*" is defined in Section 1.148-1(b) of the Regulations and generally consists of any amounts actually or constructively received from the sale (or other disposition) of any Bond, including amounts used to pay underwriters' discount, if any, or compensation and accrued interest other than pre-issuance accrued interest. Sale Proceeds also include amounts derived from the sale of a right that is associated with any Bond and that is described in Section 1.148-(b)(4) of the Regulations.

"*Set Aside*" means 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).

"*State Restrictive Period*" means, with respect to the Development, the period beginning on the first day on which the Owner takes legal possession of the Development, and at least ten percent (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.

"*Tenant Income Certification*" means a certification as to income and other matters executed by the household members of each tenant in the Development, in substantially the form available on the Issuer's website at the time of submission, or in such other form as reasonably may be required by the Issuer, in satisfaction of the criteria prescribed by the Secretary of HUD under Section 8(f)(3) of the Housing Act for purposes of determining whether a family is a lower-income family within the meaning of Section 8(f)(1) of the Housing Act and regulations of the Issuer and as described in the Regulatory Agreement.

"*Transferred Proceeds*" means, with respect to any portion of the Bonds that is a refunding issue, proceeds that have ceased to be proceeds of a refunded issue and are transferred proceeds of the refunding issue by reason of Section 1.148-9 of the Regulations.

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

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):

Qualified Residential Rental Project. The Borrower covenants and agrees that the Development will be 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, at all times during the Qualified Project Period, as follows:

(a) 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;

(b) 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;

(c) substantially all of the Development will consist of similarly constructed 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;

(d) 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;

(e) 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), that the Borrower will not give preference in renting Units to any particular class or group of persons, other than to Low-Income Tenants 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;

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

(g) at no time during the Qualified Project Period will any of the Units in the Development 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

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

Further Covenants. The Borrower has represented, covenanted and agreed, continuously during the Qualified Project Period, that:

(a) 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) 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. For the purposes of this subparagraph, 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

(b) 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 Eligible Tenants; and

(b) to obtain a tenant income certification from each tenant at least annually after the tenant's initial occupancy and to prepare reports required by the Regulatory Agreement.

Persons With Special Needs

The Borrower has represented, covenanted and warranted that (a) at least 5% 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% 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 Owner's outreach program and marketing program to Persons with Special Needs.

Default; Remedies

Upon a violation of any of the provisions of the Regulatory Agreement by the Borrower, the Trustee or the Issuer will give written notice thereof to the Borrower, the Limited Partner and, during such time that Fannie Mae is the Credit Provider, the Loan Servicer.

If a violation of the Regulatory Agreement is not corrected by the Borrower to the satisfaction of the Trustee and the Issuer within the time and otherwise as provided in the Regulatory Agreement, without further notice the Issuer or the Trustee may declare a default under the Regulatory Agreement effective on the date of such declaration of default and upon such default the Issuer or the Trustee may bring action for specific performance to enforce the obligations of the Borrower under the Regulatory Agreement or by mandamus or other suit, action or proceeding at law or in equity, require the Borrower to perform its obligations and covenants under the Regulatory Agreement or enjoin any acts or things which may be lawful or in violation of the rights of the Issuer or Trustee thereunder or otherwise seek injunctive relief.

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, the Financing Agreement, the Owner Tax Certificate and the 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 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.

Term

The Regulatory Agreement and all and each of the provisions of the Regulatory Agreement 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, whichever is later, 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 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 other terms of the Regulatory Agreement to the contrary notwithstanding, the requirements set forth therein 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 hereof, 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 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 and for purposes of Texas law.

Notwithstanding any other provision of the Regulatory Agreement, the Regulatory Agreement may be terminated upon agreement by the Issuer, the Trustee and the Borrower upon receipt of an opinion of a nationally recognized Bond Counsel acceptable to the Trustee that such termination will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

Fannie Mae Rider

A Fannie Mae Rider is attached to and forms a part of the Regulatory Agreement and in certain circumstances, specific terms of the Regulatory Agreement may be subordinate to the Fannie Mae Rider.

The Regulatory Agreement will not constitute a mortgage, equitable mortgage, deed of trust, deed to secure debt or other lien or security interest in the Mortgaged Property. None of the obligations of the Borrower or any subsequent owner of the Mortgaged Property under the Regulatory Agreement will be secured by a lien on, or security interest in, the Mortgaged Property. All such obligations are expressly intended to be and will remain unsecured obligations. No subsequent owner of the Development will be liable or obligated for the breach or default of any obligation of any prior owner. Such obligations are to be personal to the person who was the owner at the time the default or breach was alleged to have occurred and such person is to remain liable for any and all damages occasioned by the default or breach even after such person ceases to be the owner of the Development.

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE BANK REIMBURSEMENT AGREEMENT

The following statements are a brief summary of certain provisions of the Bank Reimbursement Agreement that have not been described elsewhere in this Official Statement. The summary does not purport to be complete, and reference is made to the Bank Reimbursement Agreement for a full and complete statement of the provisions thereof. Capitalized terms used in this Appendix E and not otherwise defined herein will have the meanings set forth for those terms in the Bank Reimbursement Agreement.

The Letter of Credit is issued pursuant to the Bank Reimbursement Agreement which provides for the issuance by Borrower of the Letter of Credit Note and the Letter of Credit Application and Reimbursement Agreement, each of which obligates the Borrower to reimburse the Bank for funds paid by the Bank with respect to draws made under the Letter of Credit and to pay various fees and expenses, in each case as provided in the Bank Reimbursement Agreement.

The Bank Reimbursement Agreement sets forth various affirmative and negative covenants of the Borrower, some of which may be more restrictive with respect to the Borrower than similar covenants in the Financing Agreement.

The Bank and the Borrower may agree at any time to alter, modify or amend the terms of the Bank Reimbursement Agreement, including the events which constitute "Events of Defaults" thereunder, without notice to or consent of any owners of the Bonds or the Trustee. Furthermore, the Bank may unilaterally waive any Event of Default which may occur under the terms of the Bank Reimbursement Agreement, 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 Bank Reimbursement Agreement will necessarily result in implementation of remedies by the Bank or in the call of any or all of the Bonds for mandatory tender or redemption under the Indenture.

Money in the Project Account of the 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 Bank as provided in the Bank Reimbursement Agreement and in the Indenture. The Bank Reimbursement Agreement sets forth certain conditions to such approval, including without limitation (a) compliance with plans and specifications approved by the Bank, (b) compliance with the requirement that the budget for the Development is "in balance" (as such concept is described in the Bank Reimbursement Agreement), (c) no occurrence of an 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 Bank Reimbursement Agreement and (d) compliance with the Pro Forma Schedule attached to the Bank Reimbursement Agreement. After the closing of the Bonds, the Bank is not obligated to consent to disbursement from the Loan Fund until certain conditions set forth in the Bank Reimbursement Agreement are satisfied or waived by the Bank. The Bank does not assure that these procedures will ensure 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 Bank undertakes no duty to the Trustee or to any Bondholder to ensure that the Borrower complies with plans, specifications, budgets or other project-related documents.

The obligations of the Borrower to the Bank under the Bank Reimbursement Agreement and the other Bank Documents issued pursuant to the Bank Reimbursement Agreement are secured by liens in favor of the Bank upon the Development and related tangible and intangible personal property and guaranties of certain individuals who are principals in partners of the Borrower. Among the liens in favor of the Bank securing the obligations of the Borrower under the Bank Reimbursement Agreement are those set forth in the Security Documents. The Security Documents contain an absolute assignment of leases and rents. Foreclosure on the Security Documents and payment and cancellation of the Bonds may result in termination of the Regulatory Agreement. Bonds tendered for purchase, not remarketed and purchased with the proceeds of a drawing upon the Letter of Credit will be subject to a security interest in favor of the Bank.

Events of Default

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

(a) Monetary Default. A default in the payment of any fee or payment under the Bank Reimbursement Agreement (including, without limitation, a default by Borrower in its reimbursement of any draw on the Letter of Credit to pay interest on the Bonds), the Bank Notes, any of the other Obligations, or any of the other Bank Documents, which is not fully paid within 10 days after it is due;

(b) Non-Monetary Default. A default by Borrower or any Guarantor, in the due observance or performance of any of their respective obligations under the Bank Reimbursement Agreement and the other Bank Documents, which is not fully cured within 30 days after written notice thereof is provided to Borrower by Bank; provided that the foregoing notice and opportunity to cure will not be required for monetary defaults covered by the Bank Reimbursement Agreement or for any other Event of Default specifically enumerated in another subsection of the Bank Reimbursement Agreement (the occurrence of any such events shall in and of itself constitute an Event of Default);

(c) Misrepresentations. Any representation or warranty made by Borrower in any of the Bank Documents proves to have been untrue when made in any materially adverse respect or any Financial Statements or certificate of Borrower or any Guarantor furnished or made to the Bank as an inducement for Bank agreeing to enter in to the Bank Reimbursement Agreement, or in accordance with the terms of the Bank Reimbursement Agreement, proves to have been untrue in any materially detrimental respect as of the date the facts therein set forth were stated or certified;

(d) Financing Agreement Defaults. The occurrence of any default or event of default under the Financing Agreement which is not cured after applicable notice and the expiration of applicable grace and cure periods;

(e) Indenture Defaults. The occurrence of any Event of Default under and as defined in the Indenture arising as a result of an act or omission of Borrower which is not cured after applicable notice and the expiration of applicable grace and cure periods;

(f) Failure to Comply with Requirements of Law. Failure of the construction or development of the Improvements or any materials for which an advance has been requested to comply with any Requirement of Law, and such failure shall continue for 30 days after written notice thereof is provided by Bank to Borrower;

(g) Failure to Satisfy Conditions to Closing Date. Borrower shall be unable to fully satisfy any of the conditions listed in the Bank Reimbursement Agreement (in a timely manner) which are not waived in writing by Bank, even if Bank has agreed to close the transaction evidenced by the Bank Reimbursement Agreement and has issued the Letter of Credit, and such failure shall not be fully cured within 30 days after written notice thereof is provided by Bank to Borrower;

(h) Failure to Satisfy Conditions to Advance. In connection with any request for Bank to consent to a Requisition, make an advance under the Bank Bridge Loan, or approve a request for an advance of the Bank Bridge Loan, Borrower shall be unable to fully satisfy any of the conditions to the advance listed in the Bank Reimbursement Agreement which has not otherwise been waived by Bank in writing and such failure is not fully cured within 30 days of the written notice as provided by Bank to Borrower;

(i) Failure to Satisfy Conditions to Conversion. The failure of Borrower to fully and completely satisfy all conditions to conversion as set forth in the Forward Commitment and the Conversion Agreement prior to the occurrence of the Expiration Date unless otherwise waived by Fannie Mae (or the Loan Servicer, as the case may be) in writing;

(j) Reserved.

(k) Redemption of Bonds. The voluntary or mandatory redemption of any or all of the Bonds prior to the release or expiration of the Letter of Credit and which redemption is paid, directly or indirectly, with the proceeds of the Letter of Credit;

(l) Letter of Credit Draft. A draft under the Letter of Credit (except a draft for monthly interest payments on the Bonds which is reimbursed from the Capitalized Interest Account or from any other source provided by Borrower);

(m) Completion. The development of the Improvements is not substantially completed by the Completion Date and in accordance with all Requirements of Law (including all requirements for ensuring the preservation of the Low-Income Housing Tax Credit);

(n) Fannie Mae Commitment. Failure by Borrower to comply with terms and requirements of the Fannie Mae Commitment, the Conversion Agreement, or any other requirements, now or hereafter existing, of Fannie Mae or the Loan Servicer or the Trustee relating to the construction and use of the Premises (including that the Premises remain at all times available for a Low-Income Housing Tax Credit and that the Final Notice of Conversion be issued prior to the Termination Date), and such failure is not remedied within any applicable notice or grace provision set forth in the Fannie Mae Commitment;

(o) Bank Determination. A reasonable determination by Bank (or its construction consultant) that the development and construction of the Improvements cannot be completed by the Completion Date and in material accordance with all Requirements of Law (including all requirements for ensuring the preservation of the Low-Income Housing Tax Credit), or the conditions to the issuance of the credit enhancement by Fannie Mae in the Fannie Mae Commitment or in the Conversion Agreement cannot be fully completed and satisfied in all material respects on or before the Expiration Date (regardless of whether or not as a result of any casualty or condemnation);

(p) Indenture. The occurrence of an Event of Default under and as defined in the Indenture;

(q) Capital. Failure of the Investor Limited Partner to make any scheduled Capital Contribution as may be adjusted under the Partnership Agreement and when due under and as required by the Partnership Agreement or any other material default by any partner in its obligations under the Partnership Agreement which is not cured within any applicable cure or grace period provided for in the Partnership Agreement, or any material default under any agreement or instrument issued pursuant to the Partnership Agreement which is not cured within any applicable cure or grace period provided for in the Partnership Agreement;

(r) Liquidation or Dissolution. Borrower, Fannie Mae, the Loan Servicer, or any corporate Guarantor shall dissolve or liquidate, merge with or be consolidated into any other entity, modify or amend its organizational documents (except as otherwise specifically provided in the Bank Documents), or fail to remain in good standing in the State of Texas, without the prior written consent of Bank, and such situation is not remedied within 30 days after written notice thereof is provided by Bank to Borrower;

(s) Death or Legal Incapacity. The death or the legal incapacity of any individual Guarantor.

(t) Failure to Observe Construction Contract. Failure of Borrower or any Contractor to perform, observe, or comply with any of the material terms, covenants, conditions, or provisions of any of the applicable construction contracts within 10 Business Days after written notice thereof is provided by Bank to Borrower; provided, however, that in the case of such a failure by such Contractor, if Borrower is diligently and in good faith pursuing all appropriate remedies under the pertinent Construction Contract relating to such Contractor's failure thereunder and Borrower terminates the construction contract in good faith within thirty (30) days after the occurrence of such failure, then Borrower shall not be deemed to be in default under the Bank Reimbursement Agreement if another Contractor satisfactory to Bank is selected by Borrower and placed under contract with Borrower within sixty (60) days after terminating said defaulting Contractor and such substitute Contractor promptly proceeds to fully cure the defaulting Contractor's default and to construct the Improvements in accordance with the Budget and the plans and specifications provided to Bank for the Improvements, in a diligent manner and in accordance with the Bank Reimbursement Agreement;

(u) Uninsured Casualties. If any act or occurrence of any kind or nature (including any casualty) for which insurance was not obtained (or was not obtainable) shall result in material damage to or material loss or material destruction of a material portion of the Improvements and such loss or damage is not fully repaired or replaced within 30 days after any such occurrence;

(v) Voluntary Filings. Borrower or any Guarantor shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of it or all or a substantial part of its assets, (ii) file a voluntary petition commencing a bankruptcy or other insolvency proceeding, (iii) make a general assignment for the benefit of creditors, (iv) be unable, or admit in writing its inability, to pay its debts generally as they become due, or (v) file an answer admitting the material allegations of a petition filed against it in a bankruptcy or other insolvency proceeding;

(w) Involuntary Filings. An order, judgment, or decree shall be entered against Borrower or any Guarantor by any court of competent jurisdiction or by any other duly authorized authority, on the petition of a creditor or otherwise, granting relief in a bankruptcy or other insolvency proceeding or approving a petition seeking reorganization or an arrangement of its debts or appointing a receiver, trustee, conservator, custodian or liquidator of it or all or any substantial part of its assets and such order, judgment or decree shall not be dismissed or stayed within 60 days;

(x) Levy. The levy against any significant portion of the property of Borrower or any Guarantor or any execution, garnishment, attachment, sequestration, or other writ or similar proceeding which is not permanently dismissed or discharged within 60 days after the levy;

(y) Work Stoppage. The failure to comply with the terms and provisions in the Bank Reimbursement Agreement.

(z) Judgments. A final and non-appealable order, judgment or decree, which is uninsured in an amount in excess of $100,000.00, shall be entered against Borrower or any Guarantor and such order, judgment or decree shall not be paid, reserved for Bank in a manner acceptable to Bank, dismissed, or stayed within 60 days;

(aa) Reserved.

(bb) Fraudulent Activities. Borrower or any Guarantor shall have (i) concealed, removed, or diverted, or permitted to be concealed, removed or diverted, any part of its property, with intent to hinder, delay or defraud its creditors or any of them; (ii) made or suffered a transfer of any of its property which is fraudulent under any bankruptcy, fraudulent conveyance or similar law; or (iii) shall have suffered or permitted, while insolvent, any creditor to obtain a lien upon any of their respective property through legal proceedings or otherwise which is not vacated within 60 days from the date thereof; or

(cc) Lien Priority. The liens and/or security interests granted in any Bank Document shall not constitute a first and prior lien and/or security interest upon the collateral described therein, subject only to the items listed in Exhibit "B" to the Second Lien Mortgage or otherwise consented by Bank in writing, and such condition continues for a period of 30 days after Bank provides written notice to Borrower.

Upon an Event of Default under the Bank Reimbursement Agreement

Upon the occurrence of any Event of Default, Bank may, at its sole option, and in addition to its other rights under the Indenture and the other Bank Documents, do any or all of the following:

(a) Acceleration of Bank Bridge Loan. Bank, at its option, may accelerate the time for payment of the Bank Bridge Loan and/or may purchase the Bonds as provided for in the Indenture, in which event, Bank shall be entitled, among other things, to pursue all rights and remedies available under the Financing Agreement, which may include, without limitation, declaring the entire principal amount of the Bridge Loan Note then outstanding and the interest accrued thereon immediately due and payable, and the said entire principal, interest and all other amounts owing thereunder shall thereupon become immediately due and payable without presentment, demand, protest, notice of protest or other notice of default or dishonor of any kind, all of which are hereby expressly waived by Borrower.

(b) Purchase. Bank, at its option, may permit the Trustee to make a draft on the Letter of Credit for purposes of redeeming the Bonds, in their entirety (thereby satisfying the Bond Loan) and Bank may thereafter enforce its rights under and with respect to, among other things, the Letter of Credit Note and the Second Lien Mortgage (and otherwise as provided for in the Bank Documents and Bond Loan Documents).

(c) Additional Rights. Bank shall have, in addition to the rights and remedies given it in the Bank Documents, the Indenture, and by all applicable ordinances, statutes, rules, regulations, orders, injunctions, writs or decrees of any governmental or political subdivision or agency thereof, or any court or similar entity established by any such subdivision or agency. In any event, Bank shall be entitled to provide a substitute borrower; provided that, such substitution shall be made in accordance with the Regulatory Agreement.

(d) Termination of Obligations. Any obligation of Bank under the Bank Reimbursement Agreement shall immediately and automatically cease and terminate unless and until Bank shall reinstate the same in writing, which reinstatement shall be required if an Event of Default is cured in a timely manner or in a manner otherwise satisfactory to Bank.

(e) Enter on Premises. At the risk, cost, and expense of Borrower: (i) enter upon and take possession of the Premises and the materials and equipment being used in the development of the

Improvements; (ii) take such action as Bank shall in its reasonable judgment deem appropriate to protect the Premises; and (iii) take such action as Bank shall in its reasonable judgment deem appropriate to continue construction of the Improvements with such changes therein as Bank may elect to make. If Bank shall elect to continue construction, Bank may: (v) assume or reject any construction or other contracts made by Borrower in connection with the construction or operation of the Improvements; (w) engage or employ contractors, subcontractors, architects, engineers and others for the construction of the Improvements; (x) pay, settle or compromise existing or future bills or claims relating to the development of the Improvements or the Premises or affecting title thereto; (y) take or refrain from taking such other action (including, without limitation, discontinuing construction), in its name or in the name of Borrower, as Bank in its reasonable judgment may determine; and (z) substitute the Borrower with another Person, in the manner provided for in the Conversion Agreement, the Fannie Mae Commitment, the Indenture, the Regulatory Agreement and the Financing Agreement (Borrower agrees that during the occurrence of an Event of Default, Borrower shall, at the request of Bank, assert all demands required by Bank to effect such substitution). All costs and expenses incurred by Bank in taking and protecting the Premises and in constructing the Improvements shall be paid by Borrower to Bank upon demand, with interest at the Maximum Rate from the date of disbursement to the date of payment to Bank, and the payment of such sums shall be secured by the Second Lien Mortgage. Bank shall have no obligation to take any of the foregoing actions, and if Bank should do so, it shall have no liability to Borrower or any Guarantor for the sufficiency of any such actions or otherwise, provided such actions are taken in good faith.

(f) Bank Offset. As further security for the Bank Notes, the Obligations, and all other indebtedness which may at any time be owing by Borrower to the holder of the Bank Notes, whether such obligations and indebtedness are incurred directly or acquired from third parties by Bank or any other holder of the Bank Notes, Borrower grants to Bank or any other holder of the Bank Notes a lien, security interest, and contractual right of setoff in and to the Construction Account, and all deposits (general or special, time or demand) of Borrower now or at any time hereafter held or received by or in transit to or coming within the custody or control of Bank or any other holder of the Bank Notes, including without limitation, all certificates of deposit and other accounts, irrespective of whether such certificates or accounts have matured and whether the exercise of such right of setoff results in loss of interest or other penalty under the terms of the certificate or agreement. Bank or any holder hereof shall have a first lien and security interest on all deposits and other sums at any time credited by or due from Bank or any holder of the Bank Notes to Borrower as collateral security for the payment of the Bank Notes. Upon and during the continuance of an Event of Default, without notice, Bank may set off all or any part of any such deposits or other sums credited by or due from Bank to or against the Obligations in any manner and in any order or preference which Bank, at its sole discretion, chooses. The foregoing rights of Bank are in addition to and cumulative of all other rights and remedies (including, without limitation, the liens, security interests and rights of setoff) which Bank may have.

(g) Low-Income Housing Tax Credit. To the extent permitted under applicable Requirements of Law, from and after the date of foreclosure, deed-in-lieu of foreclosure, or otherwise obtaining title to the Premises, exercise and claim ownership and control of the Low Income Housing Tax Credit. In connection with the foregoing, Borrower grants to Bank an irrevocable power of attorney, coupled with an interest, which Bank may exercise from and after the date of foreclosure, deed-in-lieu of foreclosure, or otherwise obtaining title to the Premises, pursuant to which Bank may obtain and exercise all rights or documents deemed by the Bank to be necessary to obtain, retain, or sell all or any portion of the Low Income Housing Tax Credit (or any allocations relating thereto).

(h) Bonds. Pay and perform (without any obligation to do so) any obligations of Borrower (for and on behalf of Borrower as its attorney in fact or in its own name) under the Bond Note and the Financing Agreement.

(i) Cash Collateral. If the Letter of Credit is then outstanding, require Borrower to deposit with Bank cash collateral for Borrower's outstanding and contingent reimbursement obligations under and with respect to the Letter of Credit, as required by Bank which cash collateral will be invested in "Tax Exempt Bonds" (as defined in the Treasury Regulation §1.150-1(b)).

APPENDIX F

SUMMARY OF CERTAIN PROVISIONS OF THE FANNIE MAE REIMBURSEMENT AGREEMENT

The following is a brief summary of certain provisions of the Fannie Mae Reimbursement Agreement. The summary does not purport to be complete or definitive, and reference is made to the Fannie Mae Reimbursement Agreement for a full and complete statement of its provisions. Fannie Mae shall have the right without the consent of, or notice to, the Trustee, the Issuer or the Bondholders, to amend, modify, change, add to or delete any of the provisions of the Fannie Mae Reimbursement Agreement. Capitalized terms used in this Appendix and not otherwise defined will have the meanings given them in the Fannie Mae Reimbursement Agreement.

The Credit Facility is issued pursuant to the Fannie Mae Reimbursement Agreement. The Fannie Mae Reimbursement Agreement obligates the Borrower, among other things, to reimburse Fannie Mae for funds advanced by Fannie Mae under the Credit Facility and to pay various fees and expenses, in each case are provided in the Fannie Mae Reimbursement Agreement The Fannie Mae 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 contained in the Financing Agreement.

Events of Default

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

(1) the Borrower fails to pay when due any amount payable by the Borrower under the Fannie Mae Reimbursement Agreement, the Note, the Financing Agreement, the Security Instrument or any other Transaction Document; or

(2) the occurrence of any Event of Default under the Transaction Document other than the Fannie Mae Reimbursement Agreement beyond any cure period set forth in that Transaction Document; or

(3) fraud or material misrepresentation or material omission by the Borrower, or any of its officers, directors, trustees, general partners or managers, the Key Principal (as defined in the Fannie Mae Reimbursement Agreement) or any guarantor: (a) contained in the Fannie Mae Reimbursement Agreement, the Certificate of Borrower (as defined in the Fannie Mae Reimbursement Agreement) or any other Borrower Document or any certificate delivered by the Borrower to Fannie Mae or to the Loan Servicer pursuant to the Fannie Mae Reimbursement Agreement or any other Borrower Document; or (b) in connection with (i) the application for or creation of the Loan or the Credit Enhancement Commitment or the Liquidity Commitment (as those terms are defined in the Fannie Mae Reimbursement Agreement) for the Bonds provided by the Credit Enhancement Instrument, (ii) any financial statement, rent roll, or other report or information provided to Fannie Mae or the Loan Servicer during the term of the Fannie Mae Reimbursement Agreement or the Loan, or (iii) any request for Fannie Mae's consent to any proposed action, including a request for disbursement of funds under any Collateral Agreement (as defined in the Fannie Mae Reimbursement Agreement); or

(4) a Tax Event (as that term is defined in the Indenture) occurs; or

(5) any failure by the Borrower to perform or observe any of its obligations under the Fannie Mae Reimbursement Agreement (other than as set forth in subsections (1) through (3) above), as and when required, which continues for a period of 30 days after notice of such failure by Fannie Mae or the Loan Servicer to the Borrower, but no such notice or grace period will apply in the case of any such failure which could, in Fannie Mae's or the Loan Servicer's judgment, absent immediate exercise by Fannie Mae of a right or remedy under the Fannie Mae Reimbursement Agreement, result in harm to Fannie Mae, impairment of the Note, the Fannie Mae Reimbursement Agreement, the Security Instrument or any other security given under any other Transaction Document; or

(6) written notice from Fannie Mae to the Borrower that Pledged Bonds have not been remarketed within one year following the purchase of such Bonds by the Trustee on behalf of the Borrower and that the Borrower has not reimbursed Fannie Mae in full for the Advance and the Activity Fee; or

(7) any (a) failure of the Borrower to pay when due or within any applicable grace period any amount payable by the Borrower under any Hedging Arrangement, or (b) occurrence of any other default or event of default, however described, by the Borrower under any Hedging Arrangement; or

(8) any failure of the Borrower to perform certain obligations under the Fannie Mae Reimbursement Agreement by no later than the Liquidity Action Date (as defined in the Fannie Mae Reimbursement Agreement) if the Liquidity Expiration Date (other than a Liquidity Expiration date which is on or after the Credit Enhancement Expiration Date, the Credit Enhancement Termination Date or the Maturity Date) is not extended for any reason (all of such terms being as defined in the Fannie Mae Reimbursement Agreement).

Remedies Upon an Event of Default

Upon the occurrence of an Event of Default under the Fannie Mae Reimbursement Agreement, the Obligations (as defined in the Fannie Mae Reimbursement Agreement) and all amounts owing under the Fannie Mae Reimbursement Agreement may be declared by Fannie Mae to become immediately 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, Fannie Mae will have the right to take such action at law or in equity, without notice or demand, as it deems advisable to protect and enforce the rights of Fannie Mae against the Borrower and/or in and to the Mortgaged Property, including, but not limited to, any one or more or all of the following actions:

(1) deliver to the Trustee written notice that an Event of Default has occurred under the Fannie Mae Reimbursement Agreement and direct the Trustee to take such action pursuant to the Transaction Documents as Fannie Mae may determine, including a request that the Trustee declare the principal of all or a portion of the Bonds then Outstanding and the interest accrued on the Bonds to be immediately due and payable in accordance with the terms and conditions of the Indenture;

(2) demand cash collateral or Permitted Investments in an amount equal to the maximum liability of Fannie Mae under the Credit Enhancement Instrument, whether or not then due and payable by Fannie Mae; and

(3) exercise any rights and remedies available to Fannie Mae under the Transaction Documents.

Waiver

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

APPENDIX G

FORM OF PROPOSED OPINION OF BOND COUNSEL

[Closing Date]

Texas Department of Housing and
Community Affairs
Austin, Texas

Merchant Capital, L.L.C.
Montgomery, Alabama

Bank of New York Trust Company, N.A.
Houston, Texas

JPMorgan Chase & Co.
Dallas, Texas

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 $15,000,000 Variable Rate Demand Multifamily Housing Revenue Bonds (Residences at Onion Creek) Series 2007 (the "Bonds") pursuant to a resolution adopted by the governing board of the Issuer on November 8, 2007 (the "Bond Resolution") and a Trust Indenture dated as of November 1, 2007 (the "Indenture"), by and between the Issuer and Bank of New York Trust Company, N.A., 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 November 1, 2007 (the "Financing Agreement") among the Issuer, the Trustee and Onion Creek Housing Partners, Ltd., a Texas limited partnership (the "Borrower"), or in the Regulatory and Land Use Restriction Agreement dated as of November 1, 2007 (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 loan (the "Loan") to the Borrower to provide financing for the acquisition, construction and equipping of a residential rental development located within Travis 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 therefore 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 or the Credit Provider. 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 and prior to the first change of interest rate modes:

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 under existing law 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 an item of tax preference includable in alternative minimum taxable income for purposes of determining 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 the 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.

Further, pursuant to the Indenture, certain changes of interest rate modes are conditioned on delivery of an opinion to the effect that each such change will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes. The delivery of such opinions will depend on facts and law that exist on such future date or dates, if any. Therefore, we express no opinion regarding the effect of such changes on the excludability of interest on the Bonds from gross income for federal income tax purposes, or with respect to any other matters, on and after the date or dates, if any, of any such changes. Further, we express no opinion on our ability to render the opinion required in connection with such changes.

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,

APPENDIX H

FORM OF THE LETTER OF CREDIT

IRREVOCABLE TRANSFERABLE LETTER OF CREDIT

November 16, 2007

**U.S. $15,167,672

No. ______

The Bank of New York Trust Company, N.A., as trustee (the *"Trustee"*) under the Trust Indenture dated as of November 1, 2007 (the *"Indenture"*), between Texas Department of Housing and Community Affairs (the *"Issuer"*), and the Trustee
Attention: Donna Edmondson
601 Travis Street, 18th Floor
Houston, Texas 77002

Attention: Corporate Trust Department

Ladies and Gentlemen:

We hereby establish in your favor as Trustee for the benefit of the holders of the Bonds (as hereinafter defined), our irrevocable transferable Letter of Credit No. ______ for the account of Onion Creek Housing Partners, Ltd. (the *"Applicant"*), whereby we hereby irrevocably authorize you to draw on us from time to time, from and after the date hereof to and including the earliest to occur of our close of business on: (i) June 15, 2010 (as extended from time to time, the *"Stated Expiration Date"*), (ii) the Conversion Date (as defined in the Indenture) as such date is specified in a certificate in the form of Annex A hereto (the *"Conversion Date"*), (iii) the date which is fifteen (15) days following receipt from you of a certificate in the form set forth as Annex B hereto, (iv) the date on which an Acceleration Drawing is honored by us, and (v) the date which is fifteen (15) days following receipt by you of a written notice from us specifying the occurrence of an Event of Default under the Reimbursement Agreement dated as of November 1, 2007, between the Applicant and us (the *"Reimbursement Agreement"*) and directing you to accelerate the Bonds (the *"Termination Date"*), a maximum aggregate amount not exceeding FIFTEEN MILLION ONE HUNDRED SIXTY-SEVEN THOUSAND SIX HUNDRED SEVENTY-TWO United States Dollars (U.S. $15,167,672 - the *"Original Stated Amount"*) to pay principal of and accrued interest on, or the purchase price of, the U.S. $15,000,000 Variable Rate Demand Multifamily Housing Revenue Bonds (Residences at Onion Creek Project) Series 2007 issued by the Issuer (the *"Bonds"*), in accordance with the terms hereof (said U.S. $15,167,672 having been calculated to be equal to U.S. $15,000,000 (Fifteen Million U.S. Dollars), the original principal amount of the Bonds, plus U.S. $167,672 (One Hundred Sixty-Seven Thousand Six Hundred Seventy-Two U.S. Dollars), which is 34 days' accrued interest on said principal amount of the Bonds at the rate of twelve percent (12%) per annum calculated on a 365 days basis (the "*Cap Interest Rate*")). This credit is available to you against presentation of the following documents (the *"Payment Documents"*) presented to JPMorgan Chase Bank, N.A. (the *"Bank"*) as described below:

A certificate (with all blanks appropriately completed) (i) in the form attached as Annex C hereto to pay accrued interest on the Bonds as provided for under Section 8.2 of the Indenture (an *"Interest Drawing"*), (ii) in the form attached as Annex D hereto to pay the principal amount of and accrued interest on the Bonds in respect of any redemption of the Bonds as provided for in Section 3.2 or 3.3 of the Indenture (a *"Redemption Drawing"*), provided that in the event the date of redemption or purchase coincides with an Interest Payment Date (as defined in the Indenture) the Redemption Drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing), (iii) in the form attached as Annex E hereto, to allow the Trustee, as Tender Agent (together with its permitted successors and assigns, the *"Tender Agent"*), to pay the purchase price of Bonds tendered for purchase as provided for in Section 4.2 or 4.3 of the Indenture which have not been successfully remarketed or for which the purchase price has not been received by the Tender Agent by 10:00 A.M., Chicago time, on the purchase date (a *"Liquidity Drawing"*), provided that in the event the purchase date coincides with an Interest Payment Date, the Liquidity Drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing), or (iv) in the form attached as Annex F hereto, to pay the principal of and accrued interest in respect of Bonds the payment of which has been accelerated pursuant to Section 10.2 of the Indenture (an *"Acceleration Drawing"*), each certificate to state therein that it is given by your duly authorized officer and dated the date such certificate is presented hereunder. No drawings shall be made under this Letter of Credit (i) for Excluded Bonds (as defined in the Indenture), (ii) premium that may be payable upon the redemption of any Bond, or (iii) interest that may accrue on any Bond on or after the maturity of such Bond.

All drawings shall be made by presentation of each Payment Document at our office at 300 South Riverside Plaza, Standby Letter of Credit Unit, Mail Code IL1-0236, Chicago, Il 60606-0236 as aforesaid, by Tested Telex or Authenticated SWIFT (at: ITT4330253 FNBCUI), authenticated SWIFT (at: FNBCUS44 or by telecopier (at telecopier number (312) 954-6163 or alternately to (312) 954-3140), Attention: Standby Service Unit, without further need of documentation, including the original of this Letter of Credit, it being understood that each Payment Document so submitted is to be the sole operative instrument of drawing. You shall use your best efforts to give telephonic notice of a drawing to the Bank at its Chicago, IL Standby Service Unit, (at: (312) 954-1922 or alternately to 1-800-634-1969, Option 1) on the Business Day preceding the day of such drawing (but such notice shall not be a condition to drawing hereunder and you shall have no liability for not doing so).

We agree to honor and pay the amount of any Interest, Redemption, Liquidity, or Acceleration drawing if presented in compliance with all of the terms of this Letter of Credit. If such drawing, other than a Liquidity Drawing, is presented prior to 3:00 P.M., Chicago time, on a Business Day, payment shall be made to the account number or address designated by you of the amount specified, in immediately available funds, by 10:00 A.M., Chicago time, on the following Business Day. If any such drawing, other than a Liquidity Drawing, is presented at or after 3:00 P.M., Chicago time, on a Business Day, payment shall be made to the account number or address designated by you of the amount specified, in immediately available funds, by 1:30 P.M., Chicago time, on the following Business Day. If a Liquidity Drawing is presented prior to 11:00 A.M., Chicago time, on a Business Day, payment shall be made to the account number or address designated by you of the amount specified, in immediately available funds, by 2:00 P.M., Chicago time, on the same Business Day. If a Liquidity Drawing is presented at or after 11:00 A.M., Chicago time, payment shall be made to the account number and at such bank designated by you of the amount specified, in immediately available funds, by 10:00 A.M., Chicago time, on the following Business Day. Payments made hereunder shall be made by wire transfer to you or by deposit into your account with us in accordance with the instructions specified by the Trustee in the drawing certificate relating to a particular drawing hereunder. *"Business Day"* means any day other than a day on which banking institutions in the city in which the principal corporate trust office of the Trustee or the principal corporate trust office of the Tender Agent or the principal office of the Remarketing Agent (as defined in the Indenture) is located, or the principal office of the Bank, are required or authorized by law to remain closed, or other than a day on which the New York Stock Exchange is closed.

The Available Amount (as hereinafter defined) will be reduced automatically by the amount of any drawing hereunder; *provided, however,* that the amount of any Interest Drawing hereunder shall be automatically reinstated immediately upon payment by us of such drawing. After payment by us of a Liquidity Drawing, the obligation of the Bank to honor drawings under this Letter of Credit will be automatically reduced by an amount equal to the Original Purchase Price of any Bonds (or portions thereof) purchased pursuant to said drawing. In addition, prior to the Conversion Date, in the event of the remarketing of the Bonds (or portions thereof) previously purchased with the proceeds of a Liquidity Drawing, our obligation to honor drawings hereunder shall be automatically reinstated concurrently upon receipt by us, or the Trustee on our behalf, of an amount equal to the Original Purchase Price of such Bonds (or portion thereof) plus accrued interest thereon as required under the Reimbursement Agreement as specified in a certificate in the form of Annex L hereto; the amount of such reinstatement shall be equal to the Original Purchase Price of such Bonds (or portions thereof). *"Original Purchase Price"* shall mean the principal amount of any Bond purchased with the proceeds of a Liquidity Drawing plus the amount of accrued interest on such Bond paid with the proceeds of a Liquidity Drawing (and not pursuant to an Interest Drawing) upon such purchase.

Upon receipt by us of a certificate of the Trustee in the form of Annex H hereto, the Letter of Credit will automatically and permanently reduce the amount available to be drawn hereunder by the amount specified in such certificate. Such reduction shall be effective as of the next Business Day following the date of delivery of such certificate.

Upon any permanent reduction of the *Available Amount* to be drawn under this Letter of Credit, as provided herein, we may deliver to you a substitute Letter of Credit in exchange for this Letter of Credit or an amendment to this Letter of Credit substantially in the form of Annex I hereto to reflect any such reduction. If we deliver to you such a substitute Letter of Credit you shall simultaneously surrender to us for cancellation the Letter of Credit then in your possession. The *"Available Amount"* shall mean the Original Stated Amount (i) less the amount of all prior reductions pursuant to Interest, Redemption, Liquidity, or Acceleration Drawings, (ii) less the amount of any reduction thereof pursuant to a Redemption Drawing or reduction certificate in the form of H hereto, respectively, to the extent such reduction is not already accounted for by a reduction in the Available Amount pursuant to (i) above, (iii) plus the amount of all reinstatements as above provided.

Prior to the Termination Date, we may extend the Stated Expiration Date from time to time at the request of the Applicant by delivering to you an amendment to this Letter of Credit in the form of Annex K hereto designating the date to which the Stated Expiration Date is being extended. Each such extension of the Stated Expiration Date shall become effective on the Business Day following delivery of such notice to you and thereafter all references in this Letter of Credit to the Stated Expiration Date shall be deemed to be references to the date designated as such in such notice. Any date to which the Stated Expiration Date has been extended as herein provided may be extended in a like manner.

Upon the Termination Date this Letter of Credit shall automatically terminate and be delivered to the Bank for cancellation. Failure to deliver said Letter of Credit will have no effect on the Termination Date, and the Letter of Credit will still be considered terminated.

This Letter of Credit is transferable to any transferee who has succeeded you as Trustee under the Indenture, and may be successively transferred. Any transfer request must be affected by presenting to us the attached form of Annex J signed by the transferor and the transferee together with the original Letter of Credit. Transfers to designated foreign nationals and /or specially designated nationals are not permitted as being contrary to the U.S. Treasury Department or Foreign Assets Control Regulations. Upon our endorsement of such transfer, the transferee instead of the transferor shall, without necessity of further action, be entitled to all the benefits of and rights under this Letter of Credit in the transferor's place; provided that, in such case, any certificates of the Trustee to be provided hereunder shall be signed by one who states therein that he is a duly authorized officer or agent of the transferee.

Communications with respect to this Letter of Credit shall be addressed to us at JPMorgan Chase Bank, N.A., 300 South Riverside Plaza, Mail Code IL1-0236, Chicago, Il 60606-0236, Attention: Standby Letter of Credit Unit, specifically referring to the number of this Letter of Credit.

To the extent not inconsistent with the express terms hereof, this Letter of Credit is governed by, and construed in accordance with the International Standby Practices, ICC Publication No. 590 (the "ISP98"). As to matters not governed by the ISP98, this Letter of Credit shall be governed by and construed in accordance with the laws of the State of New York, including without limitation the Uniform Commercial Code as in effect in the State of New York, without regard to principals of conflict of laws.

All payments made by us hereunder shall be made from our funds and not with the funds of any other person.

This Letter of Credit sets forth in full the terms of our undertaking, and such undertaking shall not in any way be modified or amended by reference to any other document whatsoever.

Very truly yours,

JPMorgan Chase Bank, N.A.

By:______________________________
Name:____________________________
Title:_____________________________

ANNEX A
TO
JPMORGAN CHASE BANK, N.A.
LETTER OF CREDIT
NO. ______

NOTICE OF CONVERSION DATE

[Date]

JPMorgan Chase Bank, N.A.
300 South Riverside Plaza
Mail Code IL1-0236
Chicago, IL 60606-0236

Attn: Standby Letter of Credit Unit

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Letter of Credit No. ______ dated November 16, 2007 (the *"Letter of Credit"*), which has been established by you for the account of Onion Creek Housing Partners, Ltd., in favor of the Trustee.

The undersigned hereby certifies and confirms that the Conversion Date has occurred on [insert date], and, accordingly, said Letter of Credit shall terminate on the Conversion Date in accordance with its terms.

All defined terms used herein which are not otherwise defined herein shall have the same meaning as in the Letter of Credit.

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By: ______________________________
[Title of Authorized Representative]

ANNEX B
TO
JPMORGAN CHASE BANK, N.A.
LETTER OF CREDIT
NO. ______

NOTICE OF TERMINATION

[Date]

JPMorgan Chase Bank, N.A.
300 South Riverside Plaza
Mail Code IL1-0236
Chicago, IL 60606-0236

Attn: Standby Letter of Credit Unit

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Letter of Credit No. _____ dated November 16, 2007 (the *"Letter of Credit"*), which has been established by you for the account of Onion Creek Housing Partners, Ltd. in favor of the Trustee.

The undersigned hereby certifies and confirms that [(i) no Bonds (as defined in the Letter of Credit) remain Outstanding within the meaning of the Indenture, (ii) all drawings required to be made under the Indenture and available under the Letter of Credit have been made and honored, or (iii) a substitute letter of credit has been issued to replace the Letter of Credit pursuant to the Indenture and the Financing Agreement dated as of _____________, 20___, between the Issuer and the Applicant,] and, accordingly, the Letter of Credit shall be terminated in accordance with its terms.

All defined terms used herein which are not otherwise defined shall have the same meaning as in the Letter of Credit.

____
as Trustee

By: __________________________________
[Title of Authorized
Representative]

By Telecopy or Tested Telex or Authenticated SWIFT

ANNEX C
TO
JPMORGAN CHASE BANK, N.A.
LETTER OF CREDIT
No. _____

INTEREST DRAWING CERTIFICATE

JPMorgan Chase Bank, N.A.
300 South Riverside Plaza
Mail Code IL1-0236
Chicago, IL 60606-0236

Attn: Standby Letter of Credit Unit

The undersigned individual, a duly authorized representative of The Bank of New York Trust Company, N.A. (the *"Beneficiary"*), hereby CERTIFIES on behalf of the Beneficiary as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. _____ dated November 16, 2007 (the *"Letter of Credit"*), issued by JPMORGAN CHASE BANK, N.A. (the *"Bank"*) in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Indenture (as defined in the Letter of Credit):

1. The Beneficiary is the Trustee (as defined in the Letter of Credit) under the Indenture.

2. The Beneficiary is entitled to make this drawing in the amount of U.S. $____________ under the Letter of Credit pursuant to the Indenture with respect to the payment of interest due on all Bonds outstanding on the Interest Payment Date (as defined in the Indenture) occurring on [insert applicable date], other than (i) Excluded Bonds (as defined in the Letter of Credit), (ii) premium that may be payable upon the redemption of any bond, or (iii) interest that may accrue on any Bond on or after the maturity of such Bond.

3. The amount of the drawing is equal to the amount required to be drawn by the Trustee pursuant to Section 8.2 of the Indenture.

4. The amount of the drawing made by this Certificate was computed in compliance with the terms of the Indenture and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount (as defined in the Letter of Credit).

5. Payment by the Bank pursuant to this drawing shall be made to ______________________________, ABA Number ______________, Account Number ______________, Attention: ___________________________________, Re: _________________________.

IN WITNESS WHEREOF, this Certificate has been executed this ____ day of ___________________, 20___.

By Telecopy or Tested Telex or Authenticated SWIFT

ANNEX C
TO
JPMORGAN CHASE BANK, N.A.
LETTER OF CREDIT
NO. _____
(CONTINUED)

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By: ________________________________
[Title of Authorized Representative]

By Telecopy or Tested Telex or Authenticated SWIFT

ANNEX D
TO
JPMORGAN CHASE BANK, N.A.
LETTER OF CREDIT
No. _____

REDEMPTION DRAWING AND REDUCTION CERTIFICATE

JPMorgan Chase Bank, N.A.
300 South Riverside Plaza
Mail Code IL1-0236
Chicago, IL 60606-0236

Attn: Standby Letter of Credit Unit

The undersigned individual, a duly authorized representative of ____________ ____________________ (the *"Beneficiary"*), hereby CERTIFIES on behalf of the Beneficiary as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. _____ dated November 16, 2007 (the *"Letter of Credit"*), issued by JPMorgan Chase Bank, N.A. (the *"Bank"*) in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Indenture (as defined in the Letter of Credit):

1. The Beneficiary is the Trustee (as defined in the Letter of Credit) under the Indenture.

2. The Beneficiary is entitled to make this drawing in the amount of U.S. $___________ under the Letter of Credit pursuant to Section **[3.2], [3.3], or [3.6]** of the Indenture.

3. (a) The amount of this drawing is equal to (i) the principal amount of Bonds to be redeemed by the Issuer (as defined in the Letter of Credit) pursuant to Section **[3.2] or [3.3]** of the Indenture on [insert applicable date] (the *"Redemption Date"*) other than (x) Excluded Bonds (as defined in the Letter of Credit), (y) premium that may be payable upon the redemption of any bond, or (z) interest that may accrue on any Bond on or after the maturity of such Bond, plus (ii) interest on such Bonds accrued from the immediately preceding Interest Payment Date (as defined in the Indenture) to the Redemption Date, provided that in the event the Redemption Date coincides with an Interest Payment Date this drawing does not include any accrued interest on such Bonds.

(b) Of the amount stated in paragraph 2 above:

(i) U.S. $____________ is demanded in respect of the principal amount of the Bonds referred to in subparagraph (a) above; and

(ii) U.S. $____________ is demanded in respect of accrued interest on such Bonds.

4. Payment by the Bank pursuant to this drawing shall be made to ______________________, ABA Number __________________________, Account Number __________________________, Attention: __________________________, Re: ______________________________.

5. The amount of the drawing made by this Certificate was computed in compliance with the terms and conditions of the Indenture and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount (as defined in the Letter of Credit).

6. Upon payment of the amount drawn hereunder, the Bank is hereby directed to permanently reduce the Available Amount by U.S. $[insert amount of reduction] and the Available Amount shall thereupon equal U.S. $[insert new Available Amount]. The Available Amount has been reduced by an amount equal to the principal of Bonds paid with this drawing and an amount equal to 34 days' interest thereon at the Cap Interest Rate (as defined in the Letter of Credit).

7. Of the amount of the reduction stated in paragraph 6 above:

(i) U.S. $___________ is attributable to the principal amount of Bonds redeemed; and

(ii) U.S. $__________ is attributable to interest on such Bonds (*i.e.*, 34 days' interest thereon at the Cap Interest Rate).

8. The amount of the reduction in the Available Amount has been computed in accordance with the provisions of the Letter of Credit.

9. Following the reduction, the Available Amount shall be at least equal to the aggregate principal amount of the Bonds outstanding (to the extent such Bonds are not Excluded Bonds (as defined in the Letter of Credit)) plus 34 days' interest thereon at the Cap Interest Rate.

10. In the case of a redemption pursuant to Section 3.3(b) of the Indenture, the Trustee, prior to giving notice of redemption to the owners of the Bonds, received written evidence from the Bank that the Bank has consented to such redemption.

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of ______________, ______.

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By: ___________________________________
[Title of Authorized Representative]

By Telecopy or Tested Telex or Authenticated SWIFT

ANNEX E
TO
JPMORGAN CHASE BANK, N.A.
LETTER OF CREDIT
No. _____

LIQUIDITY DRAWING CERTIFICATE

JPMorgan Chase Bank, N.A.
300 South Riverside Plaza
Mail Code IL1-0236
Chicago, IL 60606-0236

Attn: Standby Letter of Credit Unit

The undersigned individual, a duly authorized representative of The Bank of New York Trust Company, N.A. (the *"Beneficiary"*) hereby CERTIFIES as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. _____ dated November 16, 2007 (the *"Letter of Credit"*), issued by JPMorgan Chase Bank, N.A. (the *"Bank"*) in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Indenture (as defined in the Letter of Credit):

1. The Beneficiary is the Trustee under the Indenture.

2. The Beneficiary is entitled to make this drawing under the Letter of Credit in the amount of U.S. $____________ with respect to the payment of the purchase price of Bonds tendered for purchase in accordance with Section **[4.2 or 4.3]** of the Indenture and to be purchased on [insert applicable date] (the *"Purchase Date"*) which Bonds have not been remarketed as provided in the Indenture or the purchase price of which has not been received by the Tender Agent (as defined in the Letter of Credit) by 10:00 A.M., Chicago time, on said Purchase Date.

3. (a) The amount of the drawing is equal to (i) the principal amount of Bonds to be purchased pursuant to the Indenture on the Purchase Date other than (x) Excluded Bonds (as defined in the Letter of Credit), (y) premium that may be payable upon the redemption of any bond, or (z) interest that may accrue on any Bond on or after the maturity of such Bond, plus (ii) interest on such Bonds accrued from the immediately preceding Interest Payment Date (as defined in the Indenture) (or if none, the date of issuance of the Bonds) to the Purchase Date, provided that in the event the Purchase Date coincides with an Interest Payment Date this drawing does not include any accrued interest on such Bonds.

(b) Of the amount stated in paragraph (2) above:

(i) U.S. $________________ is demanded in respect of the principal portion of the purchase price of the Bonds referred to in subparagraph (2) above; and

(ii) U.S. $______________________ is demanded in respect of payment of the interest portion of the purchase price of such Bonds.

By Telecopy or Tested Telex or Authenticated SWIFT
ANNEX E
TO
JPMORGAN CHASE BANK, N.A.
LETTER OF CREDIT
NO. _____
(CONTINUED)

4. The amount of the drawing made by this Certificate was computed in compliance with the terms and conditions of the Indenture and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount (as defined in the Letter of Credit).

5. The Beneficiary will register or cause to be registered in the name of the Applicant, upon payment of the amount drawn hereunder, Bonds in the principal amount of the Bonds being purchased with the amounts drawn hereunder and will deliver such Bonds to the Trustee in accordance with the Indenture.

6. Payment by the Bank pursuant to this drawing shall be made to ________________________, ABA Number ________________________, Account Number ____________________, Attention: ______________________________, Re: ______________________________.

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of ____________________, _____.

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By: ______________________________
[Title of Authorized Representative]

By Telecopy or Tested Telex or Authenticated SWIFT

ANNEX F
TO
JPMORGAN CHASE BANK, N.A.
LETTER OF CREDIT
No. _____

ACCELERATION DRAWING CERTIFICATE

JPMorgan Chase Bank, N.A.
300 South Riverside Plaza
Mail Code IL1-0236
Chicago, IL 60606-0236

Attn: Standby Letter of Credit Unit

The undersigned individual, a duly authorized representative of The Bank of New York Trust Company, N.A. (the *"Beneficiary"*), hereby CERTIFIES on behalf of the Beneficiary as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. _____ dated November 16, 2007 (the *"Letter of Credit"*), issued by JPMorgan Chase Bank, N.A. (the *"Bank"*) in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Indenture (as defined in the Letter of Credit):

1. The Beneficiary is the Trustee under the Indenture.

2. An Event of Default has occurred under subsection ___ of Section 10.1 of the Indenture and the Trustee has declared the principal of and accrued interest on all Bonds then outstanding immediately due and payable. The Beneficiary is entitled to make this drawing in the amount of U.S. $____________ under the Letter of Credit pursuant to Section 10.2 of the Indenture in order to pay the principal of and interest accrued on the Bonds due to an acceleration thereof in accordance with Section 10.2 of the Indenture.

3. (a) The amount of this drawing is equal to (i) the principal amount of Bonds outstanding on [insert date of acceleration] (the *"Acceleration Date"*) other than (x) Excluded Bonds (as defined in the Letter of Credit), (y) premium that may be payable upon the redemption of any bond, or (z) interest that may accrue on any Bond on or after the maturity of such Bond, plus (ii) interest on such Bonds accrued from the immediately preceding Interest Payment Date (as defined in the **[Indenture]**) to the Acceleration Date.

(b) Of the amount stated in paragraph 2 above:

(i) U.S. $___________ is demanded in respect of the principal portion of the Bonds referred to in subparagraph (a) above; and

(ii) U.S. $________________ is demanded in respect of accrued interest on such Bonds.

4. The amount of this drawing made by this Certificate was computed in compliance with the terms and conditions of the Indenture and, when added to the amount of any drawing under the Letter of

Credit made simultaneously herewith, does not exceed the Available Amount (as defined in the Letter of Credit).

5. Payment by the Bank pursuant to this drawing shall be made to ______________________, ABA Number ______________, Account Number ___________, Attention: ____________________, Re: ___________________.

IN WITNESS WHEREOF, this Certificate has been executed this ____ day of ____________________, 20___.

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By: ____________________________________
[Title of Authorized Representative]

By Telecopy or Tested Telex or Authenticated SWIFT
ANNEX G
TO
JPMORGAN CHASE BANK, N.A.
LETTER OF CREDIT
No. _____

Reserved.

ANNEX H
TO
JPMORGAN CHASE BANK, N.A.
LETTER OF CREDIT
NO. _____

REDUCTION CERTIFICATE

JPMorgan Chase Bank, N.A.
300 South Riverside Plaza
Mail Code IL1-0236
Chicago, IL 60606-0236

Attn: Standby Letter of Credit Unit

The undersigned hereby CERTIFIES with respect to (i) that certain Irrevocable Transferable Letter of Credit No. _____ dated November 16, 2007 (the *"Letter of Credit"*), issued by JPMorgan Chase Bank, N.A. (the *"Bank"*) in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Indenture (as defined in the Letter of Credit):

1. The Beneficiary is the Trustee under the Indenture.

2. Upon receipt by the Bank of this Certificate, the Available Amount (as defined in the Letter of Credit) shall be reduced by U.S.$_________ and the Available Amount shall thereupon equal U.S. $_____________. U.S. $_________________ of the new Available Amount is attributable to interest.

3. The amount of the reduction in the Available Amount has been computed in accordance with the provisions of the Letter of Credit.

4. Following the reduction, the Available Amount shall be at least equal to the aggregate principal amount of the Bonds outstanding (other than Excluded Bonds (as defined in the Letter of Credit)) plus 34 days' interest thereon at the Cap Interest Rate (as defined in the Letter of Credit).

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of __________________, ____.

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By: ______________________________
[Title of Authorized Representative]

ANNEX I
TO
JPMORGAN CHASE BANK, N.A.
LETTER OF CREDIT
NO. _____

NOTICE OF REDUCTION AMENDMENT

[Date]

The Bank of New York Trust Company, N.A.
601 Travis Street, 18th Floor
Houston, Texas 77002

Attention: Donna Edmondson

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Letter of Credit No. _____ dated November 16, 2007 (the *"Letter of Credit"*), established by us in your favor as Beneficiary. We hereby notify you that, in accordance with the terms of the Letter of Credit and that certain Reimbursement Agreement dated as of __________, 20___, between Onion Creek Housing Partners, Ltd. and us, the Available Amount (as defined in the Letter of Credit) has been reduced to U.S. $_______________, of which U.S. $_______________ is attributable to principal and U.S. $_______________ is attributable to interest.

This letter should be attached to the Letter of Credit and made a part thereof.

JPMorgan Chase Bank, N.A.

By: ________________________________
Name: ______________________________
Title: _______________________________

REQUEST FOR TRANSFER

JPMorgan Chase Bank, N.A. Date:

____
Standby Letter of Credit Unit
300 South Riverside Plaza
Mail Code IL1-0236
Chicago, IL 60606-0236

Re: JPMorgan Chase Bank, N.A. Irrevocable Standby Letter of Credit No. XXXXXX

We, the undersigned "Transferor", hereby irrevocably transfer all of our rights to draw under the above referenced Letter of Credit ("Credit") in its entirety to:

NAME OF TRANSFEREE

____

ADDRESS OF TRANSFEREE

____

____

CITY, STATE/COUNTRY ZIP

____

In accordance with ISP98, Rule 6, regarding transfer of drawing rights, all rights of the undersigned Transferor in such Credit are transferred to the Transferee, who shall have the sole rights as beneficiary thereof, including sole rights relating to any amendments whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised directly to the Transferee without necessity of any consent of or notice to the undersigned Transferor.

The original Credit, including amendments to this date, is attached and the undersigned Transferor requests that you endorse an acknowledgment of this transfer on the reverse thereof. The undersigned Transferor requests that you notify the Transferee of this Credit in such form and manner as you deem appropriate, and the terms and conditions of the Credit as transferred. The undersigned Transferor acknowledges that you incur no obligation hereunder and that the transfer shall not be effective until you have expressly consented to effect the transfer by notice to the Transferee.

If you agree to these instructions, please advise the Transferee of the terms and conditions of this transferred Credit and these instructions.

Payment of transfer fee of U.S $_____ is for the account of the Transferor who agrees to pay you on demand any expense or cost you may incur in connection with the transfer. Receipt of such shall not constitute consent by you to effect the transfer.

☐ Debit our DDA with JPMorgan Chase Bank, N.A. Account No.
☐ Cashier check enclosed for $______________.

☐ Remitting by Fed Funds to JPMorgan Chase Bank, N.A., New York ABA No.021000021 for Account No. 324331754 under JPMorgan Chase Bank, N.A. Reference No. _____.

Transferor represents and warrants to Transferring Bank that (i) our execution, delivery, and performance of this request to Transfer (a) are within our powers (b) have been duly authorized (c) constitute our legal, valid, binding and enforceable obligation (d) do not contravene any charter provision, by-law, resolution, contract, or other undertaking binding on or affecting us or any of our properties (e) do not require any notice, filing or other action to, with, or by any governmental authority (f) the enclosed Credit is original and complete, (g) there is no outstanding demand or request for payment or transfer under the Credit affecting the rights to be transferred, (h) the Transferee's name and address are correct and complete and the Transferee's use of the Credit as transferred and the transactions underlying the Credit and the requested Transfer do not violate any applicable United States or other law, rule or regulation.

The Effective Date shall be the date hereafter on which Transferring Bank effects the requested transfer by acknowledging this request and giving notice thereof to Transferee.

WE WAIVE ANY RIGHT TO TRIAL BY JURY THAT WE MAY HAVE IN ANY ACTION OR PROCEEDING RELATING TO OR ARISING OUT OF THIS TRANSFER.

This Request is made subject to ISP98 and is subject to and shall be governed by the laws of the State of New York, without regard to principles of conflict of laws.

Sincerely yours,

____
(Print Name of Transferor)

____
(Transferor's Authorized Signature)

____
(Print Authorized Signers Name and Title)

____
(Telephone Number/Fax Number)

SIGNATURE GUARANTEED

Signature(s) with title(s) conform(s) with that/those on file with us for this individual, entity or company and signer(s) is/are authorized to execute this agreement. We attest that the individual, company or entity has been identified by us in compliance with USA PATRIOT Act procedures of our bank.

____
(Print Name of Bank)

____
(Address of Bank)

____
(City, State, Zip Code)

____
(Print Name and Title of Authorized Signer)

____
(Authorized Signature)

____
(Telephone Number)

____
(Date)

Acknowledged:

____
(Print Name of Transferee)

____
(Transferee's Authorized Signature)

____
(Print Authorized Signers Name and Title)

____
(Telephone Number/Fax Number)

SIGNATURE GUARANTEED

Signature(s) with title(s) conform(s) with that/those on file with us for this individual, entity or company and signer(s) is/are authorized to execute this agreement. We attest that the individual, company or entity has been identified by us in compliance with USA PATRIOT Act procedures of our bank.

____
(Print Name of Bank)

____
(Address of Bank)

____
(City, State, Zip Code)

____
(Print Name and Title of Authorized Signer)

____
(Authorized Signature)

____
(Telephone Number)

____
(Date)

ANNEX K
TO
JPMORGAN CHASE BANK, N.A.
LETTER OF CREDIT
NO. _____
(CONTINUED)

NOTICE OF EXTENSION AMENDMENT

__________________, _____

The Bank of New York Trust Company, N.A.
601 Travis Street, 18th Floor
Houston, Texas 77002

Attention: Donna Edmondson

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Letter of Credit No. _____ dated November 16, 2007 (the *"Letter of Credit"*), established by us in your favor as Beneficiary. We hereby notify you that, in accordance with the terms of the Letter of Credit and that certain Letter of Credit Application and Reimbursement Agreement dated as of November 1, 2007, between Onion Creek Housing Partners, Ltd. and us, the Stated Expiration Date (as defined in the Letter of Credit) has been extended to __________, _____.

This letter should be attached to the Letter of Credit and made a part thereof.

JPMorgan Chase Bank, N.A.

By: ________________________________
Name: ______________________________
Title: _______________________________

REINSTATEMENT CERTIFICATE

JPMORGAN CHASE BANK, N.A.
300 South Riverside Plaza
Mail Code IL1-0236
Chicago, Il 60606-0236
Attn: Standby Letter of Credit Unit

The undersigned hereby certifies to JPMorgan Chase Bank, N.A. (the "Bank"), with reference to Irrevocable Letter of Credit No. ______ dated November 16, 2007 (the "Letter of Credit") issued by the Bank in favor of the Trustee, that:

1. The undersigned is the Trustee under the Indenture.

2. The Trustee has previously made a Bond Purchase Draw under the Letter of Credit on ____________ in the amount of U.S. $_____________ (representing U.S. $_____________ of principal and U.S. $_____________ of interest) with respect to the purchase price of Bonds which are now held as Pledged Bonds under the Indenture.

3. The Trustee has received proceeds from the sale of remarketed Pledged Bonds originally purchased with the proceeds of the above described Bond Purchase Drawing and as of the date hereof holds in the Custody Account established under the Indenture the amount of U.S. $_____________ (representing U.S. $_____________ of principal and U.S. $_____________ of interest) with respect to the sale of such Pledged Bonds.

4. In accordance with the terms of the Letter of Credit, the Trustee deems that the amount available under the Letter of Credit has been automatically reinstated to the extent of the lesser of (i) the proceeds of remarketed Pledged Bonds held in the Custody Account as set forth above, or (ii) the amount of the Bond Purchase Drawing described above, all in accordance with the terms of the Letter of Credit and this notice.

Signature page follows.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Certificate this ____ day of _____________, ______.

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By:_______________________________
Name:_____________________________
Title:______________________________

APPENDIX I

PROPOSED FORM OF THE FANNIE MAE CREDIT FACILITY

DIRECT PAY
IRREVOCABLE TRANSFERABLE
CREDIT ENHANCEMENT INSTRUMENT

(Residences at Onion Creek)

[Conversion Date]

The Bank of New York Trust
Company, N.A., as Trustee
601 Travis Street, 18th Floor
Houston, TX 77002
Attention: Institutional Trust Services

At the request of Onion Creek Housing Partners, Ltd. (the "**Borrower**"), a Texas limited partnership, Fannie Mae ("**Fannie Mae**") issues this Direct Pay Irrevocable Transferable Credit Enhancement Instrument (the "**Credit Enhancement Instrument**") to The Bank of New York Trust Company, N.A. (the "**Trustee**"), a national banking association, not in its individual or corporate capacity, but solely as Trustee for the owners of the $15,000,000 Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Residences at Onion Creek), Series 2007 (the "**Bonds**") issued pursuant to the Trust Indenture (the "**Indenture**"), dated as of July 1, 2006, between the Texas Department of Housing and Community Affairs (the "**Issuer**"), a public and official agency of the State of Texas, and the Trustee.

1. <u>**Definitions**</u>. Capitalized terms used in this Credit Enhancement Instrument have the meanings given to those terms in this Section 1 or elsewhere in this Credit Enhancement Instrument.

"**Advance**" means a Debt Service Advance, an Issuer's Fee Advance, a Liquidity Advance or a Mandatory Tender Advance.

"**Affiliate**" as applied to any person, means any other person directly or indirectly controlling, controlled by, or under common control with, that person. For the purposes of this definition, "control" (including with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that person, whether through the ownership of voting securities, partnership interests or by contract or otherwise.

"**Amount Available**" has the meaning given that term in Section 2.

"**Business Day**" means any day other than:

(a) a Saturday or a Sunday;

(b) any day on which banking institutions located in the City of New York, New York are required or authorized by law or executive order to close;

(c) any day on which banking institutions located in the city or cities in which the Designated Office (as that term is defined in the Indenture) of the Trustee or the Loan Servicer is located are required or authorized by law or executive order to close;

(d) prior to the date upon which the interest rate on the Bonds adjusts to a fixed rate mode, a day on which the New York Stock Exchange is closed or on which banking institutions located in the city in which the Remarketing Agent is located are required or authorized by law or executive order to close; or

(e) any day on which Fannie Mae is closed.

"**Certificate**" means any certificate in the form attached to this Credit Enhancement Instrument as an Exhibit or such other form as provided in Section 3. If the certificate is submitted to Fannie Mae by personal delivery or by telecopy, the certificate must be signed by one who purports to be an authorized signatory of the Trustee. If the certificate is submitted to Fannie Mae in any other medium (such as e-mail or a web based medium), the certificate must be authenticated as provided in the related Presentation Protocol.

"**Credit Enhancement Advance**" means a Debt Service Advance, an Issuer's Fee Advance or a Mandatory Tender Advance.

"**Credit Enhancement Expiration Date**" means, subject to Section 7(c), the date the obligation of Fannie Mae to make Credit Enhancement Advances expires as provided in Section 7(a), if not earlier terminated.

"**Credit Enhancement Instrument**" means this Direct Pay Irrevocable Transferable Credit Enhancement Instrument as the same may be amended, supplemented or restated from time to time.

"**Credit Enhancement Termination Date**" means, subject to Section 7(c), the date on which the obligation of Fannie Mae to make Credit Enhancement Advances terminates as provided in Section 7(b).

"**Debt Service Advance**" has the meaning given that term in Section 3.

"**Excluded Bond**" means any Bond which is not Outstanding (as that term is defined in the Indenture), any Obligor Bond or any Pledged Bond.

"**Interest Portion**" has the meaning given that term in Section 2.

"**Issuer's Fee**" means the Issuer Administration Fee (as defined in the Indenture).

"**Issuer's Fee Advance**" has the meaning given that term in Section 3.

"**Issuer's Fee Portion**" has the meaning given that term in Section 2.

"**Liquidity Advance**" has the meaning given that term in Section 3.

"**Liquidity Expiration Date**" means, subject to Sections 8(b), (c) and (e), the date the obligation of Fannie Mae to make Liquidity Advances expires as provided in Section 8(a), if not earlier terminated.

"**Liquidity Termination Date**" means, subject to Section 8(e), the date on which the obligation of Fannie Mae to make Liquidity Advances terminates as provided in Section 8(d).

"**Loan**" means the mortgage loan made by the Issuer to the Borrower pursuant to the Financing Agreement for the purpose of providing funds to the Borrower to finance the acquisition, construction and equipping of the Mortgaged Property.

"**Loan Servicer**" means initially, PNC ARCS LLC, a Delaware limited liability company, and thereafter, or any other entity approved by Fannie Mae in its discretion as the servicer of the Loan, and any permitted successors or assigns.

"**Mandatory Tender**" means any tender of Bonds required by Section 4.2(a) or Section 4.2(b) of the Indenture.

"**Mandatory Tender Advance**" has the meaning given that term in Section 3.

"**Maturity Date**" means ____________________.

"**Note**" means the Multifamily Note (together with all addenda thereto) dated as of November 1, 2007, executed by the Borrower in favor of the Issuer, as the same may be amended, supplemented or restated from time to time or any mortgage note executed in substitution therefor in accordance with the terms of the Bond Documents, as such substitute note may be amended, supplemented or restated from time to time.

"**Obligor Bond**" means any Bond registered in the name or held for the account of, or otherwise owned, directly or indirectly, by, the Issuer, any Affiliate of the Issuer, the Borrower, any Affiliate of the Borrower, or any guarantor of the obligations of the Borrower, or any Affiliate of any guarantor of the obligations of the Borrower.

"**Optional Tender**" means any optional tender of any Bond pursuant to Section 4.1(a) of the Indenture.

"**Pledged 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 the proceeds of a Liquidity Advance, to, but excluding, the date on which the Liquidity Advance made by the Credit Provider on account of such Pledged Bond is reinstated under this Credit Enhancement Instrument.

"**Presentation Protocol**" means an agreement between Fannie Mae and the Trustee regarding one or more media through which the Trustee may present Certificates to Fannie Mae under this Credit Enhancement Instrument, as such agreement may be amended, supplemented or restated from time to time.

"**Principal Portion**" has the meaning given that term in Section 2.

"**Reimbursement Agreement**" means the Amended and Restated Reimbursement Agreement, dated as of ________________ 15, ____, between Fannie Mae and the Borrower, as such agreement may be amended, supplemented or restated from time to time.

"**Remarketing Agent**" means the remarketing agent under the Indenture.

"**Reset Rate**" means the rate of interest borne by the Bonds as determined in accordance with Section 2.6 of the Indenture.

"**Tender Agent**" means the tender agent under the Indenture.

"**Trustee**" means The Bank of New York Trust Company, N.A., a national banking association, not in its individual or corporate capacity, but solely as trustee under the Indenture, or any permitted successor trustee under the Indenture.

"**Weekly Variable Rate**" means the variable rate of interest per annum for the Bonds determined from time to time during the Weekly Variable Rate Period (as that term is defined in the Indenture) in accordance with the Indenture.

2. **Amount Available**. Subject to the terms and conditions of this Credit Enhancement Instrument, Fannie Mae irrevocably authorizes the Trustee to draw on Fannie Mae, from time to time, a maximum aggregate amount not exceeding $ [_____] (as such amount may be reduced or reinstated from time to time in accordance with Section 10, "**Amount Available**"), of which:

(a) up to $[_____] ("**Principal Portion**") may be drawn with respect to the unpaid principal of the Bonds or, as the case may be, the principal portion of the purchase price of the Bonds;

(b) up to $[_____] ("**Interest Portion**"), or 34 days interest on the Bonds (calculated at an assumed rate on the Bonds of 12% per annum on the basis of a year of 365 days), may be drawn with respect to interest actually accrued on the Bonds or, as the case may be, the interest portion of the purchase price of the Bonds; and

(c) up to $ [_____] ("**Issuer's Fee Portion**") may be drawn with respect to the Issuer's Fee.

3. **Advances**. Each demand for an Advance shall be made by the Trustee's presentation to Fannie Mae of a Certificate as follows:

(a) **Credit Enhancement Advances**. Credit Enhancement Advances shall be in the form of:

(1) Debt Service Advance. Exhibit A to pay (i) principal of any Bond (other than Excluded Bonds) due as a result of acceleration, defeasance, redemption stated maturity and/or (ii) interest on any Bond (other than Excluded Bonds) on or prior to their stated maturity date ("**Debt Service Advance**"); or

(2) Mandatory Tender Advance. Exhibit B to pay principal of, plus accrued interest on, any Bond (other than Excluded Bonds) due as a result of a Mandatory Tender ("**Mandatory Tender Advance**"); and

(3) Issuer's Fee Advance. Exhibit C to pay the Issuer's Fee if not paid when due ("**Issuer's Fee Advance**"); or

(b) **Liquidity Advances**. Liquidity Advances shall be in the form of Exhibit D to pay principal of, plus accrued interest on, any Bond subject to an Optional Tender ("**Liquidity Advance**").

Any Certificate submitted to Fannie Mae by the Trustee shall have all blanks appropriately completed, applicable boxes checked and shall be signed by one who states therein that he or she is an authorized signatory of the Trustee. Fannie Mae's obligation to honor any demand for an Issuer's Fee Advance is a standby obligation, payable if the Issuer's Fee is not otherwise paid, and Fannie Mae's obligation to honor any demand for all other Advances is a direct pay obligation, without regard to whether the Borrower has made any such payment.

Neither demands for, nor Advances, may be made under this Credit Enhancement Instrument to pay (i) principal of, interest on or the purchase price of, any Excluded Bond, (ii) premium that may be payable upon the redemption of any of the Bonds or (iii) interest that may accrue on any of the Bonds on or after the maturity of such Bond.

Fannie Mae may amend the form of any Certificate or delete any of the information, statements and certifications set out in the form of any Certificate to accommodate the sending of such Certificate by a medium pursuant to a Presentation Protocol. No such amendment may (i) require any additional information, statement or certification than that required by such form of certificate attached to this Credit Enhancement Instrument on the date of issuance, (ii) modify the timing for the presentation of such Certificate, and the payment thereof or (iii) require personal delivery with respect to the presentation of any Certificate with respect to which payment is to be made on the same Business Day.

4. **Presentation of Certificates**. Each Certificate must be given to Fannie Mae by:

(a) personal delivery at 3900 Wisconsin Avenue, Washington, D.C. 20016, Attention: Director, Multifamily Operations - Direct Pay Bonds; or

(b) telecopy to phone number 301-280-2042, immediately followed by telephonic notice to the Director, Multifamily Operations - Direct Pay Bonds at telephone number 301-204-8422; or

(c) such other medium as Fannie Mae and the Trustee may agree in a Presentation Protocol from time to time.

A Presentation Protocol may provide that the Trustee may not submit a Certificate by telecopy after a stated date or may only submit Certificates by telecopy after a certain date with the prior written permission of Fannie Mae, in which case subsection (b) shall be automatically deemed amended to that effect.

Fannie Mae will notify the Trustee in writing of any change in address or telecopy number to which all Certificates must be delivered or of any change relating to the person to be called for telephonic notices confirming telecopy communications. Any such written notice shall be effective upon receipt by the Trustee.

5. **Fannie Mae's Engagement**. Upon due receipt by Fannie Mae of a Certificate conforming to the terms and conditions of this Credit Enhancement Instrument, Fannie Mae will honor payment of the amount specified in such Certificate if presented as specified below:

(a) If a presentation in respect of a Debt Service Advance is made on or before the earlier of the Credit Enhancement Expiration Date or the Credit Enhancement Termination Date:

(1) at or prior to 12:00 noon Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 1:00 p.m. Eastern time on the next following Business Day.

(2) after 12:00 noon Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 1:00 p.m. Eastern time on the second following Business Day.

(b) If a presentation in respect of a Mandatory Tender Advance is made on or before the earlier of the Credit Enhancement Expiration Date or the Credit Enhancement Termination Date; and

(1) the Advance relates to a Mandatory Tender pursuant to Section 4.2(b) of the Indenture:

(w) at or prior to 12:00 noon Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 1:00 p.m. Eastern time **on the next following Business Day**.

(x) after 12:00 noon Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 1:00 p.m. Eastern time on the second following Business Day.

(2) the Advance relates to a Mandatory Tender pursuant to Section 4.2(a) of the Indenture:

(y) at or prior to 10:30 a.m. Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 1:30 p.m. Eastern time **on the same Business Day**.

(z) after 10:30 a.m. Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 1:30 p.m. Eastern time on the next following Business Day.

(c) If a presentation in respect of a Liquidity Advance is made on or before the earlier of the Liquidity Expiration Date or the Liquidity Termination Date:

(1) at or prior to 10:30 a.m. Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 1:30 p.m. Eastern time on the same Business Day.

(2) after 10:30 a.m. Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 1:30 p.m. Eastern time on the next following Business Day.

(d) If a presentation in respect of an Issuer's Fee Advance is made on or before the earlier of the Credit Enhancement Expiration Date or the Credit Enhancement Termination Date:

(1) at or prior to 5:00 p.m. Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 1:00 p.m. Eastern time on the fifth Business Day following such presentation.

(2) after 5:00 p.m. Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 1:00 p.m. Eastern time on the sixth Business Day following such presentation.

All Advances made under this Credit Enhancement Instrument will be made with Fannie Mae's own funds in immediately available funds.

6. **Nonconforming Tender**. If a demand for payment under this Credit Enhancement Instrument made by the Trustee does not conform to the terms and conditions of this Credit Enhancement Instrument, Fannie Mae will notify the Trustee of such lack of conformity within a reasonable time after delivery of such demand for payment, such notice to be promptly confirmed in writing to the Trustee, and Fannie

Mae shall hold all documents at the Trustee's disposal or, at the Trustee's option, return the same to the Trustee.

7. Expiration and Termination: Credit Enhancement Advances.

(a) **Credit Enhancement Expiration.** Subject to subparagraph (c), the obligation of Fannie Mae to make Credit Enhancement Advances under this Credit Enhancement Instrument shall expire at 4:00 p.m. Eastern time on ____________ 20, 2040 ("**Credit Enhancement Expiration Date**").

(b) **Termination Before Credit Enhancement Expiration Date.** Subject to subparagraph (c), the obligation of Fannie Mae to make Credit Enhancement Advances under this Credit Enhancement Instrument shall automatically terminate prior to the Credit Enhancement Expiration Date on the first to occur of: (i) the honoring by Fannie Mae of an Advance which automatically and permanently reduces the Principal Portion to zero, (ii) 4:00 p.m. Eastern time on the day following the last day of any period during which the Bonds bear interest at a Reset Rate unless Fannie Mae has notified the Trustee prior to such date that it elects to waive such termination, and (iii) Fannie Mae's receipt of a Certificate in the form of Exhibit E (which shall be conclusive evidence of the matters set forth therein). The date determined in the preceding sentence is the "**Credit Enhancement Termination Date.**"

(c) **Business Day Convention.** In the event that any date on which the Credit Enhancement Expiration Date or the Credit Enhancement Termination Date would otherwise occur is not a Business Day, such date shall be 4:00 p.m. Eastern time on the next following Business Day.

8. Expiration and Termination: Liquidity Advances.

(a) **Liquidity Expiration.** Subject to subparagraph (e), the obligation of Fannie Mae to make Liquidity Advances under this Credit Enhancement Instrument shall expire on the first to occur of (i) 4:00 p.m. Eastern time on [**insert date 15 years after Conversion Date**] or such later date as is deemed to be the Liquidity Expiration Date pursuant to subsection (b) and (ii) the Credit Enhancement Expiration Date ("**Liquidity Expiration Date**").

(b) **Automatic Extensions of Liquidity Expiration Date.** Subject to subsection (c), the Liquidity Expiration Date automatically will be deemed extended by one additional calendar year on each __________________ [[[**insert month and day of the Conversion Date**]]] (beginning with ______________________ [[[**insert month, day and year of the first anniversary of the Conversion Date**]]]). Any automatic extension which would extend the Liquidity Expiration Date beyond the Maturity Date will only extend the Liquidity Expiration Date to (and including) the Maturity Date.

(c) **No Further Automatic Extensions of Liquidity Expiration Date.** Subsection (b) shall cease to be effective from and after the first to occur of:

(1) the Liquidity Termination Date;

(2) the Credit Enhancement Expiration Date;

(3) the Maturity Date; and

(4) the sending of written notice to the Trustee by Fannie Mae to the effect that subsection (b) shall cease to be effective from and after the sending of such notice in which case the then outstanding Liquidity Expiration Date shall remain unchanged and no further extension of the Liquidity Expiration Date will occur under subsection (b).

(d) **Liquidity Termination Before Liquidity Expiration Date**. Subject to subparagraph (e), the obligation of Fannie Mae to make Liquidity Advances under this Credit Enhancement Instrument shall automatically terminate prior to the Liquidity Expiration Date on the first to occur of: (i) the honoring by Fannie Mae of an Advance which automatically and permanently reduces the Principal Portion to zero, (ii) 4:00 p.m. Eastern time on the second day following the last day of any Weekly Variable Rate Period, (iii) Fannie Mae's receipt of a Certificate in the form of Exhibit E (which shall be conclusive evidence of the matters set forth therein) and (iv) the Credit Enhancement Termination Date. The date determined in the preceding sentence is the "**Liquidity Termination Date**."

(e) **Business Day Convention.** In the event that any date on which the Liquidity Expiration Date or the Liquidity Termination Date would otherwise occur is not a Business Day, such date shall be 4:00 p.m. Eastern time on the next following Business Day.

9. <u>Expiration and Termination: Credit Enhancement Instrument</u>.

(a) **Expiration.** This Credit Enhancement Instrument shall expire upon the later of the Credit Enhancement Expiration Date and the Liquidity Expiration Date ("**CEI Expiration Date**").

(b) **Termination Before CEI Expiration Date**. This Credit Enhancement Instrument shall automatically terminate prior to the CEI Expiration Date on the later to occur of the Credit Enhancement Termination Date and the Liquidity Termination Date ("**CEI Termination Date**").

(c) **Delivery**. Upon the CEI Expiration Date or the CEI Termination Date, whichever first occurs, the Trustee shall deliver this Credit Enhancement Instrument to Fannie Mae for cancellation.

10. <u>Reduction and Reinstatement of Amount Available</u>. The Amount Available shall be reduced or reinstated from time to time in accordance with this Section.

(a) **Automatic Reduction on Making any Advance.** The Amount Available shall be reduced automatically by the amount of each Advance paid by Fannie Mae, notwithstanding any act or omission, whether authorized or unauthorized, of the Trustee or any officer, director, employee or agent of the Trustee in connection with any Advance or the proceeds of such Advance or otherwise in connection with this Credit Enhancement Instrument. Each reduction shall be permanent or subject to reinstatement as provided in this Section. Such reduction shall be applied to the Principal Portion, the Interest Portion and the Issuer's Fee Portion as appropriate for the Advance to which the reduction relates.

(b) **Permanent Reduction for Principal Component of Debt Service Advance.** The Principal Portion, the Interest Portion and Issuer's Fee Portion shall be reduced automatically and permanently upon the making of any Debt Service Advance as follows:

(1) the Principal Portion will be reduced by the amount of the principal component of the Debt Service Advance;

(2) the Interest Portion will be reduced by an amount equal to 34 days of interest (calculated at the rate of 12% per annum on the basis of a year of 365 days) on the amount of the related permanent reduction of the Principal Portion; and

(3) the Issuer's Fee Portion will be reduced in an amount equal to 0.____% multiplied by the amount of the related permanent reduction of the Principal Portion.

(c) **Permanent Reduction on Notice from the Trustee**. The Amount Available shall be reduced automatically by the amounts specified in any Certificate in the form of Exhibit F which is delivered to Fannie Mae. Such reduction shall be applied to the Principal Portion, the Interest Portion and the Issuer's Fee Portion as set out in the Certificate.

(d) **Reinstatement of Interest Portion for Debt Service Advance.** Except for a permanent reduction of the Interest Portion under subsection (b)(2), the amount of the Interest Portion reduced by the interest component of a Debt Service Advance shall be reinstated immediately and automatically.

(e) **Reinstatement of Liquidity Advance and Mandatory Tender Advance.** The Principal Portion and the Interest Portion shall be reinstated after each Liquidity Advance and each Mandatory Tender Advance upon receipt by Fannie Mae of money equal to the amount by which the Trustee requests Fannie Mae to increase the Principal Portion and the Interest Portion in a Certificate of Reinstatement in the form of Exhibit G.

(f) **Reinstatement of Issuer's Fee Advance.** Except for a permanent reduction of the Issuer's Fee Portion under subsection (b)(3), the amount of the Issuer's Fee Portion reduced by an Issuer's Fee Advance shall be reinstated immediately and automatically.

Upon any permanent reduction of the Amount Available, Fannie Mae may deliver to the Trustee a substitute Credit Enhancement Instrument in exchange for this Credit Enhancement Instrument, in an amount available equal to the then current Amount Available, but otherwise having terms identical to this Credit Enhancement Instrument.

11. Discharge of Obligations. Only the Trustee may demand an Advance under this Credit Enhancement Instrument. Upon payment to the Trustee of the amount specified in any Certificate presented under this Credit Enhancement Instrument, Fannie Mae shall be fully discharged of its obligation under this Credit Enhancement Instrument with respect to such Certificate and Fannie Mae shall not thereafter be obligated to make any further payment to the Trustee or any other person (including the Issuer, with respect to payment of the Issuer's Fee) in respect of such Certificate for payment of principal of, purchase price of, or interest on any Bond, or payment of the Issuer's Fee.

12. Nature of Fannie Mae's Obligations. Fannie Mae's obligation to make Advances to the Trustee upon the proper presentation of documents which conform to the terms and conditions of this Credit Enhancement Instrument is absolute, unconditional and irrevocable, shall be fulfilled strictly in accordance with this Credit Enhancement Instrument, and shall not be affected by any right of set-off, recoupment or counterclaim Fannie Mae might otherwise have against the Issuer, the Trustee, the Tender Agent, the Remarketing Agent, the Borrower, the Loan Servicer or any other person.

Fannie Mae's obligations under this Credit Enhancement Instrument are primary obligations and shall not be affected by the performance or non-performance by the Issuer under the Indenture or the Bonds or by the Borrower under the Note or the Reimbursement Agreement or by the performance or non-performance of any party under any other agreement between or among any of the Issuer, the Trustee, the Borrower or Fannie Mae.

13. Transfer. This Credit Enhancement Instrument may be successively transferred in whole only to each successor Trustee under the Indenture. Any such transfer shall be effective upon receipt by Fannie Mae of a signed copy of the instrument effecting such transfer signed by the transferor and by the transferee in the form attached as Exhibit H (which shall be conclusive evidence of such transfer). In each such case, the transferee instead of the transferor shall, without the necessity of further action, be entitled to all the benefits of and rights under this Credit Enhancement Instrument in the transferor's place.

14. **Notices and Deliveries**. All documents, notices and other communications, other than Certificates, shall be in writing and personally delivered to Fannie Mae at the address (and to the attention of the party) set out in Section 4(a) or may be sent to Fannie Mae by telecopy immediately followed by telephonic notice as set out in Section 4(b), as such address, telephone and telecopy numbers and parties to whom such notices are sent are changed by Fannie Mae pursuant to Section 4.

15. **Governing Law.** This Credit Enhancement Instrument shall be governed by the laws of the District of Columbia, including the Uniform Commercial Code as in effect in the District of Columbia.

16. **Entire Credit Enhancement Instrument.** This Credit Enhancement Instrument sets forth in full the terms of Fannie Mae's undertaking and shall not in any way be amended, amplified or limited by reference to any document, instrument or agreement referred to in this Credit Enhancement Instrument (including, without limitation, the Bonds) or in which this Credit Enhancement Instrument is referred to or to which this Credit Enhancement Instrument relates, except for (i) the Exhibits referred to in this Credit Enhancement Instrument and (ii) any Presentation Protocol, all of which shall be deemed fully incorporated into this Credit Enhancement Instrument as if fully set forth herein.

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FANNIE MAE

By: ______________________________________
Name: ______________________________________
Title: ______________________________________

Exhibit A

CERTIFICATE FOR "DEBT SERVICE ADVANCE"

DIRECT PAY

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016

Attention: Director, Multifamily Operations- Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. _____ ("**Credit Enhancement Instrument**")

$15,000,000 Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Residences at Onion Creek), Series 2007
Residences at Onion Creek

The undersigned, a duly authorized signatory of the Trustee named below ("**Trustee**"), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, that:

(1) **Demand for Advance**. The Trustee demands an Advance in the amount of $_________. This demand is composed of:

(Trustee: check applicable box or boxes)

- **Interest**: $_________ under the Interest Portion of the Amount Available to be used to pay interest on the Bonds (other than Excluded Bonds) on or prior to their stated maturity date.

- **Principal**: $_________ under the Principal Portion of the Amount Available to be used to pay principal of the Bonds due as a result of the acceleration, defeasance, redemption or stated maturity of the Bonds.

(2) **When the Advance Must be Made**. If this demand for Advance is made:

(a) at or prior to 12:00 noon Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the next following Business Day.

(b) after 12:00 noon Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the second following Business Day.

(3) **Where the Advance Must be Made**. Please pay the Advance demanded by this Certificate to the Trustee at ______**[specify account]**.

(4) **Other Matters**.

(a) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(b) Upon receipt by the Trustee of the Advance, (i) the Trustee will apply the same directly for the purpose specified in Paragraph 1, and (ii) no portion of said amount shall be applied by the Trustee for any purpose other than as set forth in Paragraph 1.

(c) The proceeds of the Advance demanded by this Certificate will not be applied to defease, redeem or pay (whether at stated maturity or by acceleration) any Excluded Bond.

(d) The aggregate principal amount of all Excluded Bonds outstanding is $________.

(e) The amount of interest (computed at the Maximum Interest Rate (as that term is defined in the Indenture), which currently is _____* percent per annum) on the basis of the actual number of days elapsed over a year of 365 or 366 days, as applicable), accruing on the Bonds referred to in subparagraph 4(d) above in any period of ___** days is $____________.

(5) **Amount Available**. (Trustee: Complete this Paragraph 5 only if this Certificate requests an Advance under the Principal Portion of the Amount Available.) Upon the payment of the Advance:

(a) The Amount Available shall be reduced automatically and permanently by $[insert amount of reduction] of which:

(i) $________ is attributable to the Principal Portion;

(ii) $________ is attributable to the Interest Portion; and

(iii) $________ is attributable to the Issuer's Fee Portion (computed at a rate of 0.____% multiplied by the outstanding principal amount of the Bonds).

(b) **New Amount Available**. The Amount Available will be $________, of which:

(i) $________ will be the Principal Portion;

(ii) $________ will be the Interest Portion; and

(iii) $________ will be the Issuer's Fee Portion (computed at a rate of 0.____% multiplied by the outstanding principal amount of the Bonds).

(c) The principal of the Bonds (other than Excluded Bonds) that is due on [**Trustee: complete this blank using the first Business Day after the date of this Certificate**] is $________. The amount of the Advance demanded in Paragraph 1 does not exceed such amount of principal.

(d) The amount of the Advance (1) does not exceed the Principal Portion of the Amount Available on the date of this Certificate and (2) was computed in accordance with the Bonds and the Indenture.

(e) Upon the payment referred to in Paragraph (1), the aggregate principal amount of all Bonds outstanding will be $________.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

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* Trustee: Fill in current Maximum Interest Rate.

** Trustee: Fill in number of days of interest coverage required to be supplied by the Interest Portion.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of __________, ____.

The Bank of New York Trust Company, N.A.,
as Trustee

By:______________________________

Exhibit B

<u>CERTIFICATE FOR "MANDATORY TENDER ADVANCE"</u>

DIRECT PAY

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016

Attention: Director, Multifamily Operations- Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. _____ (**"Credit Enhancement Instrument"**)

$15,000,000 Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Residences at Onion Creek), Series 2007
Residences at Onion Creek

The undersigned, a duly authorized signatory of the Trustee named below (**"Trustee"**), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, that:

(1) **<u>Demand for Advance</u>**. The Trustee demands an Advance in the amount of $_________. This demand is composed of:

(a) **Interest**: $_________ under the Interest Portion of the Amount Available to be used to pay interest on the Bonds (other than Excluded Bonds) on or prior to their stated maturity date.

(b) **Principal**: $_________ under the Principal Portion of the Amount Available to be used to pay principal of the Bonds due as a result of a Mandatory Tender.

(2) **<u>When the Advance Must be Made</u>**. (Trustee: check applicable box)

- The Advance relates to a Mandatory Tender pursuant to Section 4.2(b) of the Indenture. Accordingly, if this demand for Advance is made:

  (w) at or prior to 12:00 noon Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time **on the next following Business Day**.

  (x) after 12:00 noon Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the second following Business Day.

- The Advance relates to a Mandatory Tender pursuant to Section 4.2(a) of the Indenture. Accordingly, if this demand for Advance is made:

  (y) at or prior to 10:30 a.m. Eastern time on a Business Day, you must pay the Advance no later than 1:30 p.m. Eastern time **on the same Business Day**.

  (z) after 10:30 a.m. Eastern time on a Business Day, you must pay the Advance no later than 1:30 p.m. Eastern time on the next following Business Day.

(3) **<u>Where the Advance Must be Made</u>**. Please pay the Advance demanded by this Certificate to the Trustee at ______**[specify account and wiring instructions]**.

(4) **Other Matters**.

(a) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(b) Upon receipt by the Trustee of the Advance, (i) the Trustee will apply the same directly for the purpose specified in Paragraph 1, and (ii) no portion of said amount shall be applied by the Trustee for any purpose other than as set forth in Paragraph 1.

(c) The proceeds of the Advance demanded by this Certificate will not be applied to any payment on any Excluded Bonds.

(d) The aggregate principal amount of all Excluded Bonds outstanding is $________.

(e) The amount of interest (computed at the Maximum Interest Rate (as that term is defined in the Indenture), which currently is _____* percent per annum) on the basis of the actual number of days elapsed over a year of 365 or 366 days, as applicable), accruing on the Bonds referred to in subparagraph 4(d) above in any period of ___** days is $____________.

(5) **Amount Available**. Upon the payment of the Advance:

(a) The Amount Available shall be reduced automatically and permanently by $[insert amount of reduction] of which:

(1) $_________ is attributable to the Principal Portion; [and]

(2) $_________ is attributable to the Interest Portion[.][and]

[(3) $_________ is attributable to the Issuer's Fee Portion (computed at a rate of 0.____% multiplied by the [original] [outstanding] principal amount of the Bonds).]

(b) New Amount Available. The Amount Available will be $_________, of which:

(1) $_________ will be the Principal Portion; [and]

(2) $_________ will be the Interest Portion[.] [and]

[(3) $_________ will be the Issuer's Fee Portion (computed at a rate of 0.____% multiplied by the [original] [outstanding] principal amount of the Bonds).]

---

* Trustee: Fill in current Maximum Interest Rate.

** Trustee: Fill in number of days of interest coverage required to be supplied by the Interest Portion.

(c) The principal of the Bonds (other than Excluded Bonds) that is due on [**Trustee: complete this blank using the first Business Day after the date of this Certificate**] is $________. The amount of the Advance demanded in Paragraph 1 does not exceed such amount of principal.

(d) The amount of the Advance (1) does not exceed the Principal Portion of the Amount Available on the date of this Certificate and (2) was computed in accordance with the Bonds and the Indenture.

(e) Upon the payment referred to in Paragraph (c), the aggregate principal amount of all Bonds outstanding will be $________.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _________, ____.

The Bank of New York Trust Company, N.A.,
as Trustee

By:___________________________

Exhibit C

CERTIFICATE FOR "ISSUER'S FEE ADVANCE"

STAND-BY

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016

Attention: Director, Multifamily Operations- Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. _____ ("**Credit Enhancement Instrument**")

$15,000,000 Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Residences at Onion Creek), Series 2007
Residences at Onion Creek

The undersigned, a duly authorized signatory of the Trustee named below ("**Trustee**"), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, that:

(1) **Demand for Advance**. The Trustee demands an Advance in the amount of $_________ under the Issuer's Fee Portion of the Amount Available to be used to pay the Issuer's Fee.

(2) **When the Advance Must be Made**. If this demand for Advance is made:

(a) at or prior to 5:00 p.m. Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the fifth Business Day following such presentation.

(b) after 5:00 p.m. Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the sixth Business Day following such presentation.

(3) **Where the Advance Must be Made**. Please pay the Advance demanded by this Certificate to the Trustee at ______**[specify account and wiring instructions]**.

(4) **Other Matters**.

(a) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(b) The Borrower has failed to pay the Issuer's Fee by **[date of annual, quarterly or monthly payment]**.

(c) The amount of the Advance demanded (i) does not exceed the Issuer's Fee Portion of the Amount Available and (ii) was computed in accordance with the terms and conditions of the Financing Agreement dated _________ ____, ____ among the Issuer, the Trustee and the Borrower.

(d) Upon receipt by the Trustee of the Advance (i) the Trustee will apply the same directly for the purpose specified in Paragraph 1 and (ii) no portion of said amount shall be applied by the Trustee for any purpose other than as set forth in Paragraph 1.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ___ day of _________, ____.

The Bank of New York Trust Company, N.A.,
as Trustee

By:__________________________________
Authorized Signatory

Exhibit D

CERTIFICATE FOR "LIQUIDITY ADVANCE"

DIRECT PAY

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016

Attention: Director, Multifamily Operations- Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. _____ ("**Credit Enhancement Instrument**")

$15,000,000 Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Residences at Onion Creek), Series 2007
Residences at Onion Creek

The undersigned, a duly authorized signatory of the Trustee named below ("**Trustee**"), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, that:

(1) **Demand for Advance**. The Trustee demands an Advance in the amount of $________, consisting of:

(a) $________ under the Principal Portion of the Amount Available to be used to pay the principal portion of the purchase price of Bonds; and

(b) $________ under the Interest Portion of the Amount Available to be used to pay the interest portion of the purchase price of Bonds purchased pursuant to Section 4.1(a) of the Indenture ("**Tendered Bonds**").

(2) **When the Advance Must be Made**. If this demand is made:

(a) at or prior to 10:30 a.m. Eastern time on a Business Day, you must pay the Advance no later than 1:30 p.m. Eastern time on the same Business Day.

(b) after 10:30 a.m. Eastern time on a Business Day, you must pay the Advance no later than 1:30 p.m. Eastern time on the next following Business Day.

(3) **Where the Advance Must be Made**. Please pay the Advance demanded by this Certificate to the Trustee at ______**[specify account and wiring instructions]**.

(4) **Other Matters**.

(a) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(b) The amount demanded pursuant to Paragraph 1 does not exceed the amount necessary, at the time of the presentation of this Certificate to Fannie Mae, to pay the purchase price of the Tendered Bonds which the Remarketing Agent has not remarketed or for which the Remarketing Agent has not received sufficient remarketing proceeds to pay the purchase price of the Tendered Bonds.

(c) The principal component of the aggregate purchase price of the Tendered Bonds that is due on the date of this Certificate is $_______, and the amount of the Advance relating to the Principal

Portion referred to in Paragraph 1 does not exceed such amount of principal. The aggregate accrued interest component of the purchase price of the Tendered Bonds that is due on the date of this Certificate is $________ and the amount of the Advance relating to the Interest Portion referred to in Paragraph 1 does not exceed such amount.

(d) On the date of this Certificate, (i) the principal portion of the Advance does not exceed the Principal Portion of the Amount Available and (ii) the interest portion of the Advance does not exceed the Interest Portion of the Amount Available. The amount of the Advance was computed in accordance with the Bonds and the Indenture.

(e) Upon receipt by the Trustee of the Advance demanded by this Certificate, (i) the Trustee will apply the same directly for the purpose specified in Paragraph 1 and (ii) no portion of said amount shall be applied by the Trustee for any purpose other than as set forth in Paragraph 1

(f) The proceeds of the Advance demanded by this Certificate will not be applied to defease, redeem or pay (whether at stated maturity or by acceleration) any Excluded Bond.

(g) Bonds in a principal amount equal to the Principal Portion of the Advance made under this Certificate will be delivered to **[Custodian]*** or if, and only if, delivery of the Bonds is not possible, a written entitlement order will be delivered to the applicable financial intermediaries on whose records ownership of the Pledged Bonds is reflected directing the intermediaries to credit the security entitlement to the Pledged Bonds to the account of **[Custodian]*** for the benefit of Fannie Mae and a written confirmation of such credit will be delivered to the **[Custodian]***.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _________, ____.

The Bank of New York Trust Company, N.A.,
as Trustee

By:________________________________
Authorized Signatory

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* Fill in name of Custodian under the Pledge Agreement.

Exhibit E

CERTIFICATE OF TERMINATION

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016
Attention: Director, Multifamily Operations- Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. _____ (**"Credit Enhancement Instrument"**)

$15,000,000 Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Residences at Onion Creek), Series 2007
Residences at Onion Creek

The undersigned, a duly authorized signatory of the undersigned Trustee ("**Trustee**"), certifies to Fannie Mae, with respect to the Credit Enhancement Instrument, that the Trustee is authorized to file this notice pursuant to the Indenture. Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

The undersigned certifies to Fannie Mae: (Trustee: Check applicable box)

☐ (a) None of the Bonds are Outstanding under the Indenture.

☐ (b) The Trustee has received an Alternate Credit Facility (as such term is defined in the Indenture) as permitted by the Indenture and the Reimbursement Agreement.

Pursuant to the Indenture we enclose the Credit Enhancement Instrument for cancellation.

Very truly yours,

The Bank of New York Trust Company, N.A.,
as Trustee

By:_________________________________
Authorized Signatory

Dated: _______________________________

By its execution hereof, Onion Creek Housing Partners, Ltd. ("**Borrower**") hereby certifies to Fannie Mae that all conditions precedent to the cancellation of the Credit Enhancement Instrument and substitution of an Alternate Credit Facility set forth in the Indenture and the Reimbursement Agreement have been satisfied and hereby joins in the Trustee's instructions to Fannie Mae to cancel the same.

ONION CREEK HOUSING PARTNERS, LTD., a Texas limited partnership

By: NDG ONION CREEK, LLC
a Texas limited liability company,
its general partner

By: ______________________
Robert G. Hoskins
Managing Member

Exhibit F

CERTIFICATE OF REDUCTION

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016

Attention: Director, Multifamily Operations- Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. _____ ("**Credit Enhancement Instrument**")

$15,000,000 Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Residences at Onion Creek), Series 2007
Residences at Onion Creek

The undersigned, a duly authorized signatory of the Trustee named below ("**Trustee**"), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, as follows:

(1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(2) The aggregate principal amount of Bonds outstanding has been reduced to $_________.

(3) Effective on [insert date]:

(a) the Amount Available shall be reduced by $_________, of which (i) $_________ is a reduction of the Principal Portion, (ii) $_________ is a reduction of the Interest Portion and (iii) $_________ is a reduction of the Issuer's Fee Portion;

(b) after such reduction, the Amount Available will be $_________, of which (i) $_________ will be the Principal Portion, (ii) $_________ will be the Interest Portion and (iii) $_________ will be the Issuer's Fee Portion; and

(c) after such reduction, the Amount Available will be not less than the aggregate unpaid principal amount of the Bonds Outstanding (as that term is defined in the Indenture).

By its execution hereof, Onion Creek Housing Partners, Ltd. ("**Borrower**") certifies to Fannie Mae that the Trustee is authorized to deliver this Certificate to Fannie Mae. The Borrower and the Trustee further certify that the amounts specified in Paragraph 3 have been determined in accordance with the terms and conditions of the Indenture and the Reimbursement Agreement.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

IN WITNESS WHEREOF, the Trustee and the Borrower have executed and delivered this Certificate as of the ___ day of _________, ____.

The Bank of New York Trust Company, N.A.,
as Trustee

By:___________________________
Authorized Officer

ONION CREEK HOUSING PARTNERS, LTD., a Texas limited partnership

By: NDG ONION CREEK, LLC
a Texas limited liability company,
its general partner

By: ________________________
Robert G. Hoskins
Managing Member

Exhibit G

CERTIFICATE OF REINSTATEMENT

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016
Attention: Director, Multifamily Operations- Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. _____ (**"Credit Enhancement Instrument"**)

$15,000,000 Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Residences at Onion Creek), Series 2007
Residences at Onion Creek

The undersigned, a duly authorized signatory of the Trustee named below ("**Trustee**"), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, as follows:

(1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(2) The Trustee has received notification from the Tender Agent that Bonds pledged to Fannie Mae by the Borrower which were acquired with the proceeds of a Mandatory Tender Advance or a Liquidity Advance under the Credit Enhancement Instrument are to be remarketed or sold. The Trustee has received and is transferring to Fannie Mae the amount set forth in Paragraph 3.

(3) Upon receipt by Fannie Mae of this certificate and $_________, the Amount Available will be increased as follows:

(a) the Principal Portion of the Amount Available will be increased by $_________, but such increase shall not cause the Principal Portion to exceed the original Principal Portion less the sum of (i) the principal component of all Debt Service Advances paid by Fannie Mae in accordance with the Credit Enhancement Instrument and (ii) the aggregate of all reductions of the Principal Portion pursuant to any Certificate of the Trustee in the form of Exhibit F; and

(b) the Interest Portion of the Amount Available will be increased by $_________, but such increase shall not cause the Interest Portion to exceed the original Interest Portion less the aggregate of (i) the interest component of all Debt Service Advances which have not been reinstated in accordance with the Credit Enhancement Instrument, subject to the reinstatement of such amounts as set forth in the Credit Enhancement Instrument, (ii) all reductions of the Interest Portion due to any permanent reduction of the Principal Portion of the Amount Available and (iii) to the extent not addressed in (ii), all reductions of the Interest Portion pursuant to any Certificate of the Trustee in the form of Exhibit F.

(4) Fannie Mae shall promptly release or direct Fannie Mae's custodian in writing to release the Pledged Bonds to the Tender Agent in a principal amount corresponding to the Principal Portion identified in Paragraph 3 or, if such release is not possible, Fannie Mae shall be deemed to consent to the delivery of a written entitlement order to the applicable financial intermediary on whose records ownership of such Pledged Bonds is reflected to credit the ownership entitlement to such Bonds to the account as directed by the Trustee. Such release or deemed consent shall be conclusive evidence of the reinstatement of the Principal Portion and Interest Portion as described in Paragraph 3.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

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

The Bank of New York Trust Company, N.A.,
as Trustee

By:_________________________________
Authorized Officer

Exhibit H

CERTIFICATE FOR SUCCESSOR TRUSTEE

Fannie Mae
3900 Wisconsin Avenue
Washington, D.C. 20016

Attention: Director, Multifamily Operations- Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. _____ (**"Credit Enhancement Instrument"**)

$15,000,000 Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Residences at Onion Creek), Series 2007
Residences at Onion Creek

The undersigned is a duly authorized signatory of JPMorgan Chase Bank, National Association, the Trustee under the Indenture for the holders of the Bonds

The Trustee transfers all rights in the Credit Enhancement Instrument to _________, subject to the terms and conditions of the Credit Enhancement Instrument. The Trustee certifies that the transferee is the successor Trustee under the Indenture referred to in the Credit Enhancement Instrument and such successor Trustee has been approved in writing by Fannie Mae. The transferee acknowledges below that it is the successor Trustee. Such successor Trustee has entered into a written agreement to be bound by the Assignment and Intercreditor Agreement dated November 1, 2007 by and among the Issuer, JPMorgan Chase Bank, N.A. (the "Bank", Fannie Mae's predecessor in interest as Credit Provider under the Indenture) and the Trustee, and acknowledged, accepted and agreed to by Onion Creek Housing Partners, Ltd. (the "Borrower"), and the Assignment of Rights and Interests, dated as of ________________ [Conversion Date], from the Bank to Fannie Mae, and acknowledged, accepted and consented to by the Trustee and the Borrower.

By this transfer, all rights of the undersigned Trustee in the Credit Enhancement Instrument are transferred to the transferee and the transferee shall have the sole rights as the beneficiary, including sole rights relating to any amendments, whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised direct to the transferee without necessity of any consent of or notice to the undersigned.

Dated:__________________________

The Bank of New York Trust Company, N.A.,
as Trustee

By:____________________________
Authorized Officer

The above signature of an officer or other authorized representative conforms to that on file with us. Said officer or representative is authorized to sign for said party.

____

By:______________________________
Authorized Officer

____________________ acknowledges that it is the successor to ________ as Trustee under the Indenture.

____

By:______________________________
Authorized Officer

[BORROWER SIGNATURE PAGE TO OFFICIAL STATEMENT]

ONION CREEK HOUSING PARTNERS, LTD.,
a Texas limited partnership

By: NDG ONION CREEK, LLC, a Texas limited liability company, its general partner

By: ______________________________,
Robert G. Hoskins, Manager