

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" herein for a discussion of Bond Counsel's opinion.

\$8,000,000
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MULTIFAMILY HOUSING REVENUE BONDS
(TERRACES AT CIBOLO)
SERIES 2007

Dated: Date of Delivery

CUSIP: 88275A BC3

Due: May 1, 2040

The Bonds are being issued by the Texas Department of Housing and Community Affairs (the "Issuer") pursuant to a Trust Indenture, dated as of April 1, 2007 (the "Indenture"), by and between the Issuer and Wells Fargo Bank, National Association (the "Trustee"), for the purpose of providing funds to the Issuer to make a loan to Boerne Terraces at Cibolo Apartments, L.P., a Texas limited partnership (the "Borrower"), to finance the acquisition, construction and equipping of a multifamily residential rental development (the "Development") to be located in Boerne, Texas. The Development is to be occupied by persons of low, very low and extremely low income aged 55 and older, to the extent required by federal tax law and otherwise as determined by the Issuer.

The Bonds will initially bear interest at the rate determined by the Underwriter from and including the Closing Date to and including the first Tuesday following the Closing Date and thereafter will bear interest at a rate determined weekly by the Remarketing Agent. The Bonds are issuable as fully registered bonds, without coupons, in the minimum denomination of \$100,000 or any integral multiple of \$5,000 above such amount during a Weekly Interest Rate Period. The Bonds will be issued in book-entry only form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive certificates representing their interest in the Bonds.

The principal of each Bond will be payable upon the presentation and surrender of such Bond, when due, at the principal corporate trust office of the Trustee. During any Weekly Interest Rate Period, interest on each Bond will be payable on the first Wednesday of each month, commencing on May 2, 2007. For so long as the Bonds are registered in the name of Cede & Co., the Trustee will make all payments of principal of and interest on the Bonds to DTC which, in turn, is obligated to remit such principal and interest to DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners (as defined herein) of the Bonds.

The interest rate on the Bonds may be converted to a Term Interest Rate for a period of one year or any multiple of one year as set forth in the Indenture and further described herein. If the interest rate on the Bonds is converted to a Term Interest Rate, the Bonds are subject to mandatory tender for purchase on the first day of the Term Interest Rate Period. See "THE BONDS – Tender for Purchase of Bonds – Mandatory Tender for Purchase of Bonds."

THIS OFFICIAL STATEMENT DESCRIBES THE BONDS ONLY DURING THE INITIAL WEEKLY INTEREST RATE PERIOD FOR THE BONDS, WHICH IS THE PERIOD BEGINNING ON THE CLOSING DATE AND ENDING ON THE DATE ON WHICH THE INTEREST RATE ON THE BONDS IS ADJUSTED TO A TERM INTEREST RATE. IT IS NOT INTENDED TO DESCRIBE THE BONDS SUBSEQUENT TO THEIR ADJUSTMENT TO A TERM INTEREST RATE.

The Bonds are the special limited obligations of the Issuer payable solely from and secured by a pledge of revenues, including payments on the Loan (as defined herein) and other amounts held in certain funds or accounts established under the Indenture. Payments of principal of and interest on the Bonds, including any payments to be made with respect to an optional or mandatory redemption of the Bonds and payment of the purchase price of Bonds tendered for purchase and not remarketed, will be secured by an irrevocable direct-pay letter of credit (the "Letter of Credit") issued to the Trustee for the benefit of the Bondholders by

CITIBANK, N.A.

The Letter of Credit will expire by its terms on April 26, 2010, unless extended. The Letter of Credit may be replaced by an Alternate Letter of Credit as permitted by the Indenture. However, the Bonds are subject to mandatory tender on the effective date of an Alternate Letter of Credit. See "THE BONDS – Tender for Purchase of Bonds – Mandatory Tender for Purchase of Bonds." Unless the Letter of Credit is extended before its expiration date, the Bonds will be subject to mandatory redemption prior to such expiration date. See "THE BONDS – Redemption Provisions – Terms of Redemption – Mandatory Redemption upon failure to Review or Replace Letter of Credit." THIS OFFICIAL STATEMENT ONLY PERTAINS TO THE BONDS WHILE THEY ARE SECURED BY THE LETTER OF CREDIT PROVIDED BY CITIBANK, N.A.

THE ISSUER WILL BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON, THE BONDS SOLELY OUT OF 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 WILL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THE INDENTURE. THE BONDS, TOGETHER WITH INTEREST THEREON, WILL BE LIMITED OBLIGATIONS OF THE ISSUER GIVING RISE TO NO CHARGE AGAINST THE ISSUER'S GENERAL CREDIT AND PAYABLE SOLELY FROM, AND CONSTITUTE CLAIMS OF THE BONDHOLDERS THEREOF AGAINST ONLY, THE TRUST ESTATE. THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON WILL NOT BE DEEMED TO CONSTITUTE DEBT OF THE STATE OF TEXAS (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WILL BE LIABLE THEREON, NOR IN ANY EVENT WILL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THERETO. NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE ISSUER HAS NO TAXING POWER.

During the Weekly Interest Rate Period, Bondholders have the option to demand the purchase of their Bonds upon not less than 7 days notice given to the Trustee, at a price equal to on 100% of the principal amount thereof plus accrued and unpaid interest thereon to the date of purchase. See "THE BONDS – Tender for Purchase of Bonds – Demand Purchase of Bonds."

The Bonds will be subject to mandatory tender, optional redemption, and mandatory redemption, and purchase in lieu of redemption prior to their stated maturity date at the prices, on the terms and upon the occurrence of the events described herein. See "THE BONDS – Tender for Purchase of Bonds – Mandatory Tender for Purchase of Bonds" and "—Redemption Provisions." In addition, pursuant to the Indenture, the maturity of the Bonds may be accelerated upon the occurrence of certain events. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Default and Remedies."

This cover page contains certain information for general reference only. It is not a summary of the security or terms of this issue. Potential investors are advised to read this entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Bonds.

Price of all Bonds: 100%

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval as to their validity by Vinson & Elkins L.L.P., Austin, Texas, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for Citibank, N.A., by Rogers Towers, Jacksonville, Florida, for the Borrower by The Law Offices of J. Michael Pruitt, Bellaire, Texas, and for the Underwriter by Katten Muchin Rosenman LLP, Washington, D.C. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about April 26, 2007.

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No dealer, broker, salesperson or other person has been authorized by the Underwriter, the Borrower or the Issuer to give any information or to make any representations, other than those contained herein, in connection with the offering of the Bonds described herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Issuer, the Borrower or the Underwriter. This Official Statement does not constitute an offer to sell nor the solicitation of any 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 an offer, solicitation or sale.

This Official Statement is not to be construed to be a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as representations of fact.

The Issuer has supplied information in this Official Statement under the captions "THE ISSUER" and "NO LITIGATION — The Issuer," but is not responsible for any other information contained in this Official Statement. All other information set forth herein has been obtained from sources other than the Issuer which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Issuer or the Underwriter. The Issuer has made no independent verification of any of the information contained herein. The information and expression of opinions contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Borrower or any other party described herein since the date hereof.

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, their 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.

Citibank, N.A. has not provided or approved any information in this Official Statement, except with respect to the information under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - The Credit Bank," and APPENDIX G – "FORM OF LETTER OF CREDIT," and takes no responsibility for any other information contained in this Official Statement. Citibank, N.A. makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility or performance of the Development or compliance with any securities, tax or other laws or regulations.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Official Statement includes "forward looking statements" within the meaning of various provisions of the Securities Act of 1933, as amended, and the Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this Official Statement that address future activities, events or developments, including, but not limited to, such things as future operating results, waste supply and tipping fee schedules are forward-looking statements. The words "anticipates," "believes," "estimates," "expects," "plans," "intends," "should," "seek," "will" and similar expressions are intended to identify these forward-looking statements, but are not the exclusive means of identifying them. These statements are based on certain historical trends, current conditions and expected future developments as well as other factors the Borrower believes are appropriate in the circumstances. However, whether actual results will conform to its expectations and predictions is subject to a number of risks and uncertainties that may cause actual results to differ materially, including the risks and uncertainties discussed in this Official Statement, the Borrower's success or failure to implement the appropriate business strategy to achieve the projected operating results, changes in general economic

conditions, the opportunities (or lack thereof) that may be pursued by the Borrower, changes in laws or regulations, and other factors, many of which are beyond the control of the Borrower. Consequently, all of the forward-looking statements made by the Borrower are qualified by these cautionary statements and there can be no assurance that the actual results the Borrower anticipates will be realized, even substantially. Neither the Underwriter nor the Borrower assumes any obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE A CONTRACT AMONG THE ISSUER, THE UNDERWRITER OR THE BORROWER AND ANY ONE OR MORE HOLDERS OF THE BONDS.

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\$8,000,000
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MULTIFAMILY HOUSING REVENUE BONDS
(TERRACES AT CIBOLO)
SERIES 2007

INTRODUCTION

This Official Statement, including the cover page hereof, sets forth information concerning the sale by the Texas Department of Housing and Community Affairs (the "Issuer") of \$8,000,000 aggregate principal amount of its Multifamily Housing Revenue Bonds (Terraces at Cibolo) Series 2007 (the "Bonds").

The Bonds will be issued pursuant to Chapter 2306, Texas Government Code, as amended (the "Act"). The Bonds will be equally secured by, and issued pursuant to the terms of, a Trust Indenture dated as of April 1, 2007 (the "Indenture"), between the Issuer and Wells Fargo Bank, National Association, as trustee (together with any successor trustee or co-trustee serving as such under the Indenture, the "Trustee"). The proceeds of the sale of the Bonds will be used to make a loan to Boerne Terraces at Cibolo Apartments, L.P., a Texas limited partnership (the "Borrower"), to provide financing for the acquisition, construction and equipping of a 150-unit multifamily rental housing development (the "Development") to be located in Boerne, Texas, all of which will be occupied by and held open for occupancy by persons of low, very low and extremely low income people who are 55 years of age or older as required by the Act and by Section 142(d) of the Internal Revenue Code of 1986, as amended, pursuant to a Regulatory and Land Use Restriction Agreement, dated as of April 1, 2007, among the Issuer, the Trustee and the Borrower, as it may be amended, supplemented or restated from time to time (the "Regulatory Agreement"). See "THE DEVELOPMENT AND THE PRIVATE PARTICIPANTS" and APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT." The proceeds of the Bonds will be loaned by the Issuer to the Borrower pursuant to the terms of a Loan Agreement dated as of April 1, 2007 (the "Loan Agreement") among the Issuer, the Trustee and the Borrower.

To provide credit enhancement for the Bonds, Citibank, N.A. (the "Credit Bank"), at the request of and for the account of Citicorp USA, Inc., a Delaware corporation (the "Bank"), will issue and deliver to the Trustee an irrevocable direct-pay letter of credit (the "Letter of Credit") pursuant to a Reimbursement Agreement between the Bank and the Borrower, dated as of April 1, 2007 (the "Reimbursement Agreement"). Pursuant to the terms of the Letter of Credit, the Trustee will be entitled to draw up to an amount sufficient to pay 100% of the principal amount of the Bonds Outstanding on the date of the draw (whether at maturity, upon earlier redemption or purchase by the Bank in lieu thereof, mandatory purchase or purchase on demand), plus 35 days' interest on the Bonds calculated at the maximum interest rate of 12% per annum, so long as the Bonds bear interest at the Weekly Interest Rate (as defined herein). The Letter of Credit will expire by its terms on April 26, 2010, unless extended. The Borrower has agreed in the Reimbursement Agreement to reimburse the Bank for drawings made under the Letter of Credit and to make certain other payments to the Bank.

During the Weekly Interest Rate Period, Bondholders have the option to demand the purchase of their Bonds upon not less than 7 days notice given to the Trustee, at a price equal to on 100% of the principal amount thereof plus accrued and unpaid interest thereon to the date of purchase. See "THE BONDS — Tender for Purchase of Bonds — Demand Purchase of Bonds." The Bonds will be subject to optional redemption, mandatory tender and redemption, and purchase in lieu of redemption prior to their stated maturity date at the prices, on the terms and upon the occurrence of the events described herein. See "THE BONDS — Tender for Purchase of Bonds" and "Redemption Provisions." In addition,

pursuant to the terms of the Indenture, the maturity of the Bonds may be accelerated upon the occurrence of certain events. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Default and Remedies.”

Citigroup Global Markets Inc. will serve as the remarketing agent (the “Remarketing Agent”) for the Bonds pursuant to a Remarketing Agreement dated as of April 1, 2007 (the “Remarketing Agreement”), by and between the Borrower and the Remarketing Agent. Pursuant to the Remarketing Agreement, the Remarketing Agent will use its best efforts to remarket Bonds which the Bondholders thereof have tendered for purchase or are required to tender for purchase to the Tender Agent pursuant to the Indenture.

There follows in this Official Statement brief descriptions of the Bonds, the sources of payment for the Bonds, the Issuer, the Credit Bank, the Borrower and the Development, together with summaries of the Indenture, the Loan Agreement, the Regulatory Agreement and the Reimbursement Agreement and the form of the Letter of Credit. The summaries of documents contained herein do not purport to be complete and are qualified in their entirety by reference to such documents. Copies of the Indenture, the Loan Agreement, the Regulatory Agreement and the Reimbursement Agreement are available for inspection at the Principal Corporate Trust Office of the Trustee. Certain terms used in this Official Statement and not otherwise defined herein have the meanings ascribed thereto in APPENDIX B — “SELECTED DEFINITIONS,” or if not defined therein, as set forth in the Indenture.

THE BONDS

Authorization and Terms of Bonds

The Bonds will be dated the Closing Date and will mature (subject to prior redemption or acceleration) on May 1, 2040. The Bonds will be issued only in Authorized Denominations. The principal of and premium, if any, on each Bond will be payable upon the surrender of such Bond, when due, at the Principal Corporate Trust Office of the Trustee. Interest on each Bond will be payable, during a Weekly Interest Rate Period on the first Wednesday of each month (or the next Business Day thereafter and no interest will accrue from the date when due), commencing on May 2, 2007. During the Weekly Interest Rate Period, interest on the Bonds will be computed upon the basis of a 365/366 day year for the number of days actually elapsed. Payment of interest (and any principal due) on any Bond will be mailed or wired on each Interest Payment Date to the person appearing on the bond registration books of the Bond Registrar as the Bondholder thereof on the applicable Record Date, such interest to be paid by the Paying Agent by check mailed by first class mail on the Interest Payment Date, to such Bondholder’s address as it appears on the registration books or at such other address as has been furnished to the Bond Registrar in writing by such Bondholder not later than the Record Date. Upon written direction by a Bondholder of at least \$1,000,000 principal amount of Bonds, such direction to be given at least 3 Business Days prior to the applicable Record Date, interest will be paid by wire transfer in immediately available funds at an account maintained in the United States at such wire address as such Bondholder will specify in its written direction. If and to the extent there will be a default in the payment of the interest due on an Interest Payment Date, such defaulted interest will be paid to the Bondholders in whose name any such Bonds are registered at the close of business on the fifth Business Day next preceding the date of payment of such defaulted interest, provided that, if any Interest Payment Date is not a Business Day, such interest (and any principal due) will be mailed or wired on the next succeeding Business Day and no interest will accrue from the date when due.

The Bonds when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York, (“DTC,” together with any successor securities depository, the “Securities Depository”). DTC will act as Securities Depository for the Bonds

so purchased. Individual purchases will be made only in book-entry form. Purchasers will not receive physical certificates representing their beneficial ownership interests in the Bonds. So long as the Bonds are registered in the name of Cede & Co., payment of principal of, premium, if any, and interest on the Bonds will be payable to DTC or its nominee. DTC in turn will remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners. See "BOOK-ENTRY ONLY SYSTEM."

Determination of Interest Rate on the Bonds

Determination of Weekly Interest Rate. During the Weekly Interest Rate Period, the Bonds will bear interest at a Weekly Interest Rate, which will be determined by the Remarketing Agent not later than 4:00 p.m., New York City time, on each Rate Determination Date of each week during such Weekly Interest Rate Period. The Remarketing Agent will provide the Trustee notice of the Weekly Interest Rate before 5:00 p.m., New York City time, on each Rate Determination Date by facsimile. The Weekly Interest Rate for the Bonds will be the rate determined by the Remarketing Agent (on the basis of examination of obligations comparable to the Bonds known to the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell the Bonds on such day at a price equal to the principal amount thereof plus accrued interest; provided, however, that if for any reason the Weekly Interest Rate for the Bonds cannot be determined, the Weekly Interest Rate for the next succeeding week will be the latest SIFMA Swap Index published on or immediately before the Rate Determination Date, or in the event the SIFMA Swap Index is no longer published, the last Weekly Interest Rate determined by the Remarketing Agent for the Bonds; provided further that the Weekly Interest Rate may not exceed the Maximum Rate. The first Weekly Interest Rate determined for the Weekly Interest Rate Period will apply to the period commencing on the first day of the Weekly Interest Rate Period and ending on the next succeeding Tuesday. Thereafter, each Weekly Interest Rate will apply to the period commencing on a Wednesday and ending on the next succeeding Tuesday, unless the Weekly Interest Rate Period ends on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period will apply to the period commencing on the Wednesday preceding the last day of such Weekly Interest Rate Period and ending on such last day.

Adjustment to Term Interest Rate Period. The Borrower, by written direction to the Trustee and the Remarketing Agent, and with notice to the Issuer and the written consent of the Bank, accompanied by an Approving Opinion, may elect that the Interest Rate Period for the Bonds will be a Term Interest Rate Period.

The information set forth in the paragraph above is only intended for informational purposes. THIS OFFICIAL STATEMENT IS INTENDED TO PROVIDE INFORMATION WITH RESPECT TO THE BONDS ONLY IN THE INITIAL WEEKLY INTEREST RATE PERIOD.

Tender for Purchase of Bonds

Demand Purchase of Bonds. During the Weekly Interest Rate Period, any Bond or portions thereof in Authorized Denominations will be purchased at the option of the Bondholder thereof, or with respect to Book-Entry Bonds, at the option of the Direct Participant with an ownership interest in Book-Entry Bonds, on any Business Day, at a price of 100% of the principal amount thereof, plus accrued interest to the Purchase Date from the sources and in the amounts described in "Purchase and Remarketing of Bonds" below, upon (a) delivery to the Trustee, if the Bonds are Book-Entry Bonds, or otherwise to the Tender Agent, at its Principal Corporate Trust Office, of an irrevocable notice in writing (a "Tender Notice") by 5:00 p.m., New York City time, on any Business Day, which states the name of the registered Owner of such Bond or the Direct Participant for such Bond, as applicable, payment instructions with respect to the Purchase Price of such Bond, the principal amount of such Bond and the

date on which the same will be purchased (which date will be a Business Day not prior to the seventh day next succeeding the date of the delivery of such notice to the Trustee or Tender Agent, as applicable) and (b) if the Bonds are not Book-Entry Bonds, delivery of such Bond to the Tender Agent at its Principal Corporate Trust Office, accompanied by an instrument of transfer thereof, executed in blank by the Bondholder thereof with the signature guaranteed in accordance with the guidelines set forth by one of the nationally recognized medallion signature programs stating that the Bondholder owns the Bonds, at or prior to 11:00 a.m., New York City time, on the date specified in such notice, or if the Bonds are Book-Entry Bonds, upon confirmation by DTC to the Trustee that a Direct Participant with respect to Book-Entry Bonds being purchased has an ownership interest in such Book-Entry Bonds at least equal to the amount specified in such Tender Notice, the transfer on the registration books of DTC of the beneficial ownership interest in such Book-Entry Bonds tendered for purchase to the account of the Trustee, or to the account of a Direct Participant acting on behalf of such Trustee.

If moneys sufficient to pay the Purchase Price of Bonds to be purchased as described in the paragraph above are held by the Trustee or the Tender Agent on the date such Bonds are to be purchased, any Bonds to be so purchased that are not delivered by the Bondholders thereof to the Tender Agent or transferred on the registration books of DTC, as applicable, on the specified purchase date will be deemed to have been delivered for purchase, or transferred on the registration books of DTC, as applicable, on such date and to have been purchased. The former Owners of such Bonds, or Direct Participants with respect to Book-Entry Bonds, will thereafter have no rights with respect to such Bonds except to receive payment of the Purchase Price therefor upon surrender of such Bonds to the Tender Agent or the transfer on the registration books of DTC of the beneficial ownership interest in such Book-Entry Bonds.

Mandatory Tender for Purchase of Bonds. On the first day of a Term Interest Rate Period or while the Bonds bear interest at a Weekly Interest Rate, on the effective date of an Alternate Letter of Credit (each a "Purchase Date"), the Bondholder or Direct Participant of each Bond will tender such Bond for purchase as described below under "Purchase and Remarketing of Bonds," and such Bond will be purchased or deemed purchased as described below under "Purchase and Remarketing of Bonds" at a Purchase Price equal to the principal amount thereof plus accrued and unpaid interest thereon. Subject to the provisions of the Indenture described under "Purchase and Remarketing of Bonds — Unclaimed Moneys," payment of the Purchase Price of such Bond will be made by 3:00 p.m., New York City time, on the Purchase Date, in the same manner as payment of interest on the Bonds, to the Bondholder of record, or Direct Participant with respect to Book-Entry Bonds. If the Bonds are not Book-Entry Bonds, the Bondholder will deliver such Bonds not later than 11:00 a.m., New York City time, on the Purchase Date to the Tender Agent at its Principal Corporate Trust Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, with the signature guaranteed in accordance with the guidelines set forth by one of the nationally recognized medallion signature programs. If the Bonds are Book-Entry Bonds, the tendering Direct Participant will transfer on the registration books of DTC the beneficial ownership interest in such Bonds tendered for purchase to the account of the Trustee or a Direct Participant acting on behalf of the Trustee. No Bondholder or Direct Participant of any Bond will have any right to retain his or her Bond if such Bond becomes subject to mandatory purchase as described in this paragraph.

Purchase and Remarketing of Bonds

Generally. The Tender Agent will purchase, but only from the sources listed below, Bonds required to be purchased as described under "Mandatory Tender for Purchase of Bonds" above or which are tendered as described under "Demand Purchase of Bonds" above from the Bondholders thereof by 3:00 p.m., New York City time, on the date such Bonds are required to be purchased at the Purchase Price described under "Demand Purchase of Bonds" above. Funds for the payment of such Purchase Price will be derived from the following sources in the order of priority indicated:

(a) the proceeds of the sale of the Bonds (but only such proceeds as are received from the remarketing of the Bonds described under "Remarketing of Bonds" below) furnished to the Tender Agent or the Trustee, as applicable, by the Remarketing Agent; provided, however, that such proceeds have not been derived from the Issuer, the Borrower or any general partner or guarantor thereof;

(b) moneys furnished to the Tender Agent representing the proceeds of a draw under the Letter of Credit. Where the mandatory tender relates to the delivery of an Alternate Letter of Credit, the Trustee will draw first on the existing Letter of Credit for such purpose; and

(c) moneys provided by or on behalf of the Borrower.

Remarketing of Bonds. The Remarketing Agent will determine the rate of interest to be borne by the Bonds as described under "Determination of Interest Rate on the Bonds — Determination of Weekly Interest Rate" above and will furnish in writing to the Trustee and the Tender Agent in a timely manner all information necessary for the Trustee and the Tender Agent to carry out their respective duties under the Indenture, including, but not limited to, determining the interest rates applicable to all Bonds. The Remarketing Agent will use its best efforts to sell any Bonds tendered for purchase to new purchasers. Not later than 4:00 p.m. (New York City time) on the Business Day before the Purchase Date, the Remarketing Agent will in writing notify the Trustee and the Tender Agent of the amount of Bonds that have been remarketed as of such time. No later than 9:45 a.m. (New York City time) on the Purchase Date, the Tender Agent will in writing update such notification to inform the Trustee, the Credit Bank and the Bank of the actual amount of remarketing proceeds on hand.

Delivery of Remarketed Bonds. The Trustee and the Tender Agent each will respectively hold all Bonds delivered to them in trust for the benefit of the respective Bondholders thereof or for the benefit of the Direct Participants until moneys representing the Purchase Price of such Bonds have been delivered to or for the account of or to the order of such Bondholders or Direct Participants. The Trustee and the Tender Agent will hold all moneys for the purchase of Bonds in trust in non-commingled funds for the benefit of the Person has have so delivered such moneys until Bonds purchased with such moneys have been delivered to or for account of such Person. Bonds purchased with moneys obtained by drawing on the Letter of Credit ("Bank Bonds"), including without limitation Replacement Bonds issued pursuant to the Indenture, will be held by the Tender Agent or registered in the name of, or as directed by, the Bank on the registration books of DTC, with respect to Book-Entry Bonds. The proceeds of any remarketing of Bank Bonds will be delivered to the Trustee and transferred to the Bank. Upon receipt by the Trustee of funds representing the proceeds of the remarketing of Bank Bonds, Bonds in place of such Bank Bonds so purchased will be made available for pick-up by the Remarketing Agent for subsequent delivery to the purchasers thereof, or the ownership interest will be transferred to the new Direct Participants on the books of DTC. Prior to or simultaneously with such delivery, the proceeds of such remarketing will have been or will be delivered to the Trustee and transferred to the Bank, and the Trustee will have received written confirmation from the Credit Bank of the reinstatement of the Letter of Credit.

If any Bond is tendered after a notice of redemption for such Bond has been given, the Remarketing Agent will, prior to remarketing such tendered Bond, give the redemption notice to the purchaser of any such Bond or to DTC if a Book-Entry Bond is tendered and the purchaser (including a Direct Participant) will acknowledge receipt of such redemption notice.

Draws Upon the Letter of Credit. The Trustee will draw on the Letter of Credit in an amount necessary and in sufficient time so as to provide to the Trustee or the Tender Agent, as the case may be, the balance of the funds needed to purchase tendered Bonds. The Trustee will take into account remarketing proceeds actually received from the Remarketing Agent, as described under "Delivery of Proceeds of Sale" below.

Delivery of Proceeds of Sale. The proceeds from the remarketing of any Bonds received by the Remarketing Agent will be transferred to the Tender Agent or Trustee, as applicable, no later than 11:00 a.m., New York City time, on the Purchase Date and, upon receipt thereof, the Tender Agent or Trustee, as applicable, will immediately apply such proceeds to the payment of the Purchase Price of Bonds to the Bondholders or Beneficial Owners thereof as described under "Delivery of Remarketed Bonds" above.

No Remarketing During Default. Notwithstanding anything in the Indenture to the contrary, if there has occurred an Event of Default described under clause (a) or (b) under APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Defaults and Remedies — Events of Default," there will be no remarketing of Bonds pursuant to the Indenture.

Unclaimed Moneys. The Tender Agent will, at the end of the fifth Business Day after the Purchase Date, transfer all remaining funds representing Undelivered Bonds (as such term is defined in the Indenture) pursuant to the provisions of the Indenture to the Trustee for deposit by the Trustee into a segregated account for the Bonds to be designated the "Unclaimed Moneys Account." The Trustee will hold funds on deposit in the Unclaimed Moneys Account in trust uninvested for the payment of the Purchase Price thereof to the former Owners of such Bonds. Upon receipt by the Tender Agent of an Undelivered Bond, the Tender Agent will request funds from the Trustee for the Purchase Price of such Bond and will pay such Purchase Price to the party entitled to such payment as soon as practicable. Any such moneys so held in trust by the Tender Agent will be held uninvested until paid to the person entitled thereto or paid to the Trustee as provided in the Indenture.

Transfer of Bonds

Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Indenture regarding the bond register, by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such registered Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. Transfer of a Bond will not be permitted by the Trustee after the Record Date prior to the next succeeding Interest Payment Date or after any notice of redemption for such Bonds has been issued and prior to such redemption.

Redemption Provisions

Terms of Redemption. The Bonds are subject to redemption if and to the extent the Borrower is entitled to make and makes, or is required to make, a prepayment pursuant to the Loan Agreement. All such prepayments will be deposited in the Redemption Account. The Issuer will not call the Bonds for optional redemption, and the Trustee will not give notice of any such redemption, unless the Borrower has directed such redemption and the Trustee has received the Bank's written consent to such optional redemption in accordance with the Loan Agreement and payment has been made of all required installments of the Borrower's obligations under the Loan Agreement.

Mandatory Redemption after Completion. The Bonds will be subject to redemption in whole or in part on any Interest Payment Date after the Completion Date, at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the date fixed for redemption, without premium in order to achieve conversion to the Permanent Phase under the Reimbursement Agreement, in an amount designated by written notice from the Bank (or the Borrower) to the Borrower (or the Bank), the Issuer and the Trustee, and in a principal amount as

nearly equal as possible to, but not more than, the amount transferred by the Trustee from the Project Fund to the Redemption Account of the Revenue Fund following the Completion Date or the date three years (or such later date as provided in the Indenture) after the Closing Date, as provided in the Indenture.

Mandatory Redemption Upon Failure to Renew or Replace the Letter of Credit. The Bonds will be redeemed in whole, at a redemption price equal to 100% of the Outstanding principal amount thereof plus accrued interest to the redemption date, without premium, on the earliest practicable date for which notice of redemption may be given, in the event that (a) the Letter of Credit is not renewed or a notice of expected delivery of an Alternate Letter of Credit is not delivered to the Trustee at least 60 days prior to the scheduled expiration of the Letter of Credit; or (b) such Alternate Letter of Credit is not actually delivered on a Business Day at least 30 days prior to such expiration date; or (c) the Trustee receives notice from the Credit Bank of nonreinstatement of the interest amount of the Letter of Credit (in the case of redemption under (a) and (b) above, redemption will in any event occur not less than five calendar days prior to expiration, and in the case of (c) such redemption will occur not later than the date for which the Letter of Credit allows payment of interest due through such redemption date).

Mandatory Redemption Upon Occurrence of Extraordinary Events. The Bonds will be redeemed in whole or in part on any Interest Payment Date at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date of redemption, from amounts deposited for such purpose pursuant to the Loan Agreement, upon receipt by the Trustee of advance written notice from the Borrower and, if redeemed in part, the consent of the Bank that provides instructions to the Trustee as to the redemption date and when to give the redemption notice from amounts relating to insurance and condemnation awards resulting from the damage, destruction, or condemnation of the Development.

Mandatory Redemption Upon Default Under the Loan Agreement. The Bonds will be subject to redemption in whole at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the redemption date, without premium, on the earliest practicable date, but in any event not less than 5 days prior to the termination of the Letter of Credit, for which notice of redemption may be given at written the request or with the written consent of the Bank following receipt of notice a Loan Default Event (including by reason of an event of default under the Reimbursement Agreement) other than those referred to under "Mandatory Redemption Upon Failure to Renew or Replace the Letter of Credit" above; provided, that the Bonds will not be subject to redemption under the provisions described in this paragraph if the Loan Default Event consists solely of failure of the Borrower to reimburse the principal amount of a draw on the Letter of Credit to pay principal of the Bonds in connection with a purchase of such Bonds in lieu of redemption as described under "Purchase in Lieu of Redemption" below.

Mandatory Redemption From Amounts Transferred from Principal Reserve Fund. The Bonds will be subject to redemption in part at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the redemption date, without premium, on the earliest practicable date for which notice of redemption can be given 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 described in APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Principal Reserve Fund."

Optional Redemption During Weekly Interest Rate Period. On any Interest Payment Date during the Weekly Interest Rate Period, the Bonds may be redeemed by the Trustee, at the option of the Issuer, but only upon the written request of the Borrower pursuant to the Loan

Agreement, and with the prior written consent of the Bank, in whole or in part, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date of redemption.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee will select the Bonds to be redeemed from all Outstanding Bonds randomly by lot; provided that, so long as moneys are available therefor from sources other than a drawing on the Letter of Credit, the Trustee will redeem outstanding Bank Bonds prior to redeeming other Bonds; and provided, further, that all Bonds remaining Outstanding will be in Authorized Denominations.

Notice of Redemption. Notice of redemption will be mailed to the registered Owners of any Bonds designated for redemption, at their addresses on the registration books maintained by the Trustee, not less than 30 days nor more than 60 days before such redemption date (subject to the provisions of the Indenture regarding the Principal Account); or, in the case of a redemption described under clause (b) of "Mandatory Redemption Upon Failure to Renew or Replace the Letter of Credit" or "Mandatory Redemption Upon Default under the Loan Agreement" above, on the last Business Day not less than 15 days prior to the redemption date; or, in the case of a redemption described under clause (c) of "Mandatory Redemption Upon Failure to Renew or Replace the Letter of Credit" above, on the Business Day not less than 3 days prior to the redemption date; provided that the date fixed for such redemption will not be more than 5 days after receipt of notice by the Trustee of nonreinstatement. Each notice of redemption will state the redemption date, the place or places of redemption, if less than all of the Bonds are to be redeemed, the distinctive number of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Bonds the principal thereof or of said specified portion of the principal thereof in the case of a Bond to be redeemed in part only, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Bonds be then surrendered. Neither failure to receive such notice nor any defect therein will affect the sufficiency of such redemption. The notice of redemption may be withdrawn by the Trustee in the case of a redemption described under "Mandatory Redemption Upon a Failure to Renew or Replace the Letter of Credit" above if an Alternate Letter of Credit is actually delivered to the Trustee no more than 5 days prior to the scheduled redemption date.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Issuer will execute and direct the Trustee or the Tender Agent as authenticating agent to authenticate and deliver to the Bondholder thereof, at the expense of the Borrower, a new Bond or Bonds of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable, interest on the Bonds so called for redemption will cease to accrue, such Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of such Bonds will have no rights in respect thereof, except to receive payment of said principal and interest accrued to the date fixed for redemption from such moneys held by the Trustee for such purpose, and such moneys will be pledged to such payment.

Purchase in Lieu of Redemption. Notwithstanding anything to the contrary provided in the Indenture, if the Bonds are subject to redemption as described under "Mandatory Redemption Upon Failure to Renew or Replace the Letter of Credit" or "Mandatory Redemption Upon Default Under the

Loan Agreement” above, the Bonds will either (a) be redeemed as described under “Mandatory Redemption Upon Failure to Renew or Replace the Letter of Credit” or “Mandatory Redemption Upon Default under the Loan Agreement” above as applicable, or (b) be purchased in lieu of redemption as described in this paragraph if the Bank has given written notice to the Trustee, with a copy to the Remarketing Agent, not later than 12:00 noon, New York City time, on or before the third Business Day immediately preceding the date otherwise scheduled for such redemption to the effect that the Bank desires that the Bonds be purchased and not redeemed. If such a notice is given by the Bank, then (i) the date otherwise scheduled for redemption will be the Purchase Date for all purposes of the Indenture, (ii) the Bonds will not be redeemed but will be purchased at the Purchase Price on such Purchase Date in the name of the Bank (or as the Bank otherwise directs), for the account of the Bank, by a drawing on the Letter of Credit by the Trustee, and the Trustee or Tender Agent will deliver such Bonds to the Bank, and (iii) after the consummation of the purchase of the Bonds as described in this paragraph, the rights of the Bondholders and the benefits and security of the Indenture will not be deemed to be adversely affected by the giving of any notice of redemption pursuant to the provisions of the Indenture described under “Notice of Redemption” above.

BOOK-ENTRY ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer and the Underwriter assume no responsibility for the accuracy of such information.

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

DTC, the world’s largest 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 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as the New York Stock Exchange, Inc., the American Stock Exchange, Inc., 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 and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of the Bonds ("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 interest 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 the 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 shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Redemption proceeds, distributions, and interest 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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co.

(or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

So long as Cede & Co. is the registered owner of the Bonds, the Issuer will have no obligation or responsibility to the DTC Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Bonds, but (a) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (b) except as described above, notices that are to be given to registered owners under the Indenture will be given only to DTC.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Generally

The Bonds are payable only from (a) amounts available under the Letter of Credit, (b) amounts payable under the Loan Agreement, and (c) other moneys and securities including the Loan from time to time pledged under the Indenture including all amounts held in any fund or account established pursuant to the Indenture and proceeds of any temporary investment of moneys held under the Indenture (excluding any moneys in the Rebate Fund). Under the Indenture, the Issuer will pledge to the Trustee, and the Bank, to the extent of its interest therein, as security for the payment of the Bonds and the performance by the Issuer of its obligations under the Indenture, all of the foregoing moneys and securities, as well as all of the right, title and interest of the Issuer in and to the Loan Agreement (except the Reserved Rights).

The Letter of Credit

The Letter of Credit, in the amount of \$8,092,100 expires on April 26, 2010 subject to being extended or earlier expiration in accordance with its terms. See APPENDIX F —"SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT" for a summary of the terms pursuant to which the Bank has agreed to cause the Credit Bank to extend the expiration date of the Letter of Credit. The Letter of Credit will be delivered to the Trustee by the Credit Bank and will be effective upon the issuance of the Bonds on the Closing Date. Pursuant to the Letter of Credit, the Trustee will be entitled to draw up to an amount sufficient to pay (a) the principal or Purchase Price of the Bonds and (b) up to 35 days' interest on the Bonds computed at the maximum interest rate of 12% per annum on the principal thereof so long as the Bonds bear interest at the Weekly Interest Rate.

Pursuant to the Letter of Credit, the Credit Bank will make payments in an amount that will be sufficient to pay the interest on the Bonds when and as due and the Purchase Price equal to the principal of and interest accrued on Bonds tendered for purchase including any payments to be made with respect to an optional or mandatory redemption of the Bonds. The obligation of the Credit Bank to make timely payments sufficient to pay the principal of and interest on the Bonds under the Letter of Credit during its term is irrevocable. Pursuant to the terms of the Reimbursement Agreement, the Borrower must reimburse the Bank for all sums paid under the Letter of Credit.

The form of the Letter of Credit is attached hereto as APPENDIX G.

The Credit Bank

The following information is provided by the Credit Bank. Citigroup Inc. ("Citigroup"), the Issuer and the Borrower make no representations as to its accuracy.

The Credit Bank was originally organized on June 16, 1812, and now is a national banking association organized under the National Bank Act of 1864. The Credit Bank is an indirect wholly-owned subsidiary of Citigroup, a Delaware holding company. The obligations of the Credit Bank under the Letter of Credit will not be guaranteed by Citigroup. As of December 31, 2006, the total assets of the Credit Bank and its consolidated subsidiaries represented approximately 54% of the total assets of Citigroup and its consolidated subsidiaries.

The Credit Bank is a commercial bank that, along with its subsidiaries and affiliates, offers a wide range of banking and trust services to its customers throughout the United States and the world.

As a national bank, the Credit Bank is a regulated entity permitted to engage only in banking and activities incidental to banking. The Credit Bank's earnings may be affected by certain monetary policies of the Board of Governors of the Federal Reserve System. The Credit Bank is primarily regulated by the Office of the Comptroller of the Currency (the "Comptroller"), which also examines its loan portfolios and reviews the sufficiency of its allowance for credit losses.

The Credit Bank's deposits at its U.S. branches are insured by the Federal Deposit Insurance Corporation (the "FDIC") and are subject to FDIC insurance assessments. The Bonds are not insured by the FDIC or any other regulatory agency of the United States or any other jurisdiction.

Any FDIC-insured depository institution sharing common ownership with a failed FDIC-insured institution can be required to indemnify the FDIC for the FDIC's losses resulting from the insolvency of the failed FDIC-insured institution, even if such indemnification causes the affiliated institution also to become insolvent. As a result, the Credit Bank may, under certain circumstances, be obligated for the

liabilities of its affiliates that are FDIC-insured depository institutions. The Credit Bank's FDIC-insured depository affiliates include: Citibank (South Dakota), National Association; Citicorp Trust Bank, fsb; Citibank (Banamex USA); and Department Stores National Bank.

Under U.S. law, deposits in U.S. offices and certain claims for administrative expenses and employee compensation against a U.S. insured depository institution which has failed will be afforded a priority over other general unsecured claims, including deposits in non-U.S. offices and claims under non-depository contracts in all offices, against such an institution in the "liquidation or other resolution" of such an institution by any receiver. Such priority creditors (including the FDIC, as the subrogee of insured depositors) of such FDIC-insured depository institution will be entitled to priority over unsecured creditors in the event of a "liquidation or other resolution" of such institution.

As conservator or receiver for an insured depository institution, the FDIC also may disaffirm or repudiate any burdensome contract to which such institution is a party. The FDIC has not taken the position that such repudiation would impair the right of a holder of an unsecured obligation, such as the Trustee under the Letter of Credit, to claim principal and interest accrued through the date of appointment of a conservator or receiver. (The amount paid on such a claim would depend on the amount of assets in the receivership and the relative priority of the claim.) Disaffirmance or repudiation could, at a minimum, expose holders of the Bonds to reinvestment risk.

As conservator or receiver, the FDIC is also empowered to enforce most types of contracts, such as the Letter of Credit, pursuant to their terms notwithstanding any acceleration provisions therein, and may transfer to a new obligor any of the Credit Bank's assets or liabilities, including the Letter of Credit, without the approval or consent of the Credit Bank's creditors.

The FDIC is authorized to settle all uninsured and unsecured claims in the insolvency of an insured bank by making a final settlement payment at a percentage rate reflecting an average of the FDIC's receivership recovery experience and constituting full payment and disposition of the FDIC's obligation to uninsured and unsecured creditors.

The Basel Committee on Banking Supervision (the Basel Committee), consisting of central banks and bank supervisors from 13 countries, has developed a new set of risk-based capital standards (the New Accord or Basel II), on which it has received significant input from the Credit Bank and other major banking organizations. The Credit Bank generally supports the move to a new set of risk-based regulatory capital standards, published on June 26, 2004 (and subsequently amended in November 2005) by the Basel Committee. The international version of the Basel II framework will allow the Credit Bank to leverage internal risk models used to measure credit, operational, and market risk exposures to drive regulatory capital calculations. On September 30, 2005, the U.S. banking regulators delayed the U.S. implementation of Basel II by one year. The current U.S. implementation timetable consists of parallel calculations under the current regulatory capital regime (Basel I) and Basel II, starting January 1, 2008, and an implementation transition period, starting January 1, 2009 through year-end 2011 or possibly later. The U.S. regulators have also reserved the right to change how Basel II is applied in the U.S., and retain the existing Prompt Corrective Action and leverage capital requirements applicable to U.S. banking organizations. The new timetable, clarifications, and other proposals are set forth in a notice of proposed rulemaking (NPR) issued on September 25, 2006, which contains a number of material differences from the international version of Basel II.

The Credit Bank continues to monitor, analyze and comment on the developing capital standards in the U.S. and in countries where the Credit Bank has significant presence, in order to assess their collective impact and allocate project management and funding resources accordingly.

The Credit Bank does not publish audited financial statements. However, Citigroup publishes audited financial statements which include certain data relevant to the Credit Bank and its consolidated subsidiaries, including an audited balance sheet of the Credit Bank and its consolidated subsidiaries. The Credit Bank's earnings may differ significantly from those of Citigroup. The activities carried on by subsidiaries of Citigroup other than the Credit Bank and its subsidiaries generally include certain consumer lending activities in the United States (including the credit card business, some residential mortgage lending, and secured and unsecured personal loans) and certain overseas banking operations, as well as investment banking services and securities brokerage activities around the world.

The Annual Report on Form 10-K of Citigroup and its subsidiaries for the year ended December 31, 2006 (the "2006 10-K"), sets forth certain data relative to the consolidated financial position of the Credit Bank and its subsidiaries as of December 31, 2006 and December 31, 2005.

The Consolidated Balance Sheets of the Credit Bank as of December 31, 2006 and as of December 31, 2005 are set forth on page 108 of the 2006 10-K. Consolidated Balance Sheets of the Credit Bank subsequent to December 31, 2006 will be included in the Form 10-Q's (quarterly) and Form 10-K's (annually) subsequently filed by Citigroup with the Securities and Exchange Commission (the "SEC"), which will be filed not later than 40 days after the end of the calendar quarter or 60 days after the end of the calendar year to which the report relates, or on Form 8-K with respect to certain interim events. For further information regarding the Credit Bank, reference is made to the 2006 10-K and to any subsequent reports on Forms 10-K, 10-Q or 8-K filed by Citigroup with the SEC, which are incorporated herein by reference. Copies of such material may be obtained, upon payment of a duplicating fee, by writing to the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information on the operation of the public reference rooms. In addition, such reports are available at the SEC's web site (<http://www.sec.gov>).

In addition, the Credit Bank submits quarterly to the Comptroller certain reports called "Consolidated Reports of Condition and Income for a Bank With Domestic and Foreign Offices" ("Call Reports"). The Call Reports are on file with and publicly available at the Comptroller's offices at 250 E Street, S.W., Washington, D.C. 20219 and are also available on the web site of the FDIC (<http://www.fdic.gov>). Each Call Report consists of a Balance Sheet, Income Statement, Changes in Equity Capital and other supporting schedules at the end of and for the period to which the report relates. The Call Reports are prepared in accordance with regulatory instructions issued by the Federal Financial Institutions Examination Council. While the Call Reports are supervisory and regulatory documents, not primarily accounting documents, and do not provide a complete range of financial disclosure about the Credit Bank, the reports nevertheless provide important information concerning the financial condition and results of operations of the Credit Bank. The Credit Bank's Call Report as of the close of business on December 31, 2006 is incorporated herein by reference. Any subsequent Call Reports filed by the Credit Bank with the Comptroller are incorporated herein by reference.

Any of the above reports incorporated herein by reference are available upon request, without charge, by writing or calling Citigroup Document Services, 140 58th Street, Brooklyn, New York 11220, (718) 765-6514.

Alternate Letter of Credit

The Borrower will have the right at any time, whether or not in connection with the adjustment of the interest on the Bonds to a Term Interest Rate or the pending expiration of any then outstanding Letter of Credit, to provide to the Trustee an Alternate Letter of Credit that meets the requirements of the Loan Agreement, and the Trustee has been directed pursuant to the Indenture to accept any such Alternate Letter of Credit.

The Bonds are subject to mandatory tender for purchase on the effective date of an Alternate Letter of Credit. See "THE BONDS – Tender for Purchase of Bonds – Mandatory Tender for Purchase of Bonds."

Loan Agreement and Note

The loan of the proceeds of the Bonds to the Borrower is evidenced by the Loan Agreement and the Note, which are each respectively secured by the Mortgage. The Note and Mortgage will be assigned by the Issuer to the Trustee (excluding the Reserved Rights) to be held and administered in accordance with the provisions of the Intercreditor Agreement.

CERTAIN BONDHOLDERS' RISKS

Purchase of the Bonds involves certain investment risks. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the Appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment. Certain of the risks associated with the purchase of the Bonds are described below. Such risks should not affect the payment of principal of and interest on the Bonds if the Credit Bank fulfills its obligations under the Letter of Credit. However, upon any inability or refusal of the Credit Bank to fulfill its obligations under the Letter of Credit, payment of the principal and interest on the Bonds would be subject to the various risks described below. The following list of possible factors, while not setting forth all the factors which must be considered, contains some of the factors which should be considered prior to purchasing the Bonds. THIS DISCUSSION OF RISK FACTORS IS NOT, AND IS NOT INTENDED TO BE, COMPREHENSIVE OR EXHAUSTIVE.

General

The Bonds and the obligations of the Issuer under the Indenture are special limited obligations of the Issuer to be paid and satisfied solely from the revenues and assets pledged therefor under the Indenture, including receipts to be derived by the Issuer under the Loan Agreement, and by a first mortgage lien on the Development. The inability of the Borrower to construct, fully lease up and maintain the Development would prevent the Borrower from achieving the forecasted revenues and could adversely affect the Borrower's ability to make payments under the Loan Agreement.

No representations or assurances can be made that the receipts derived from the operation of the Development, as presently estimated or otherwise, will be realized by the Borrower, the Issuer, or the Trustee on behalf of the Bondholders, or any other party, in amounts necessary to pay the principal of, premium, if any, and interest on the Bonds. The estimates of revenues and expenses associated with the Development are subject to change due to social and economic shifts in the market area of the Development, as well as other unforeseeable circumstances.

The Bonds are payable solely from the sources described above and do not constitute a general obligation of the Issuer, the State of Texas (the "State") or any political subdivision thereof. No property other than the Development is pledged to pay the principal of or interest on the Bonds. The Issuer has no taxing power.

Limited Liability

THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE REVENUES, INCOME AND RECEIPTS OF THE ISSUER PLEDGED TO THE PAYMENT THEREOF AND ARE SECURED BY THE TRUST ESTATE. NEITHER THE FAITH

AND CREDIT NOR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE STATE IS NOT LIABLE ON THE BONDS AND THE BONDS ARE NOT A DEBT OF THE STATE. THE ISSUER HAS NO TAXING POWER.

Non-Payment under Letter of Credit

The Letter of Credit is the Bondholder's expected source of payment of principal of and interest on the Bonds. Prospective purchasers of the Bonds should analyze the credit and liquidity qualifications of the Credit Bank in making any investment decision regarding the Bonds. In the event the Credit Bank is unable to honor draws under the Letter of Credit for the purpose of paying 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 Loan Agreement. Certain information with respect to the Letter of Credit and the Credit Bank is included in this Official Statement under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — The Letter of Credit" and "— The Credit Bank" and APPENDIX G — "FORM OF LETTER OF CREDIT."

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. 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. 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 Loan Agreement 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 Agreement, especially if operating expenses should increase beyond what the Borrower had anticipated. If there is a default by the Borrower under the Loan Agreement, including the failure by the Borrower to pay on the date due any amounts required to be paid by the Borrower under the Loan Agreement, the Credit Bank may give notice to the Trustee that it elects to accelerate the loan. Upon receipt of such notice, the Trustee is required pursuant to the Indenture to call the Bonds for mandatory redemption and immediately demand payment under the Letter of Credit, which amounts will be applied to pay the principal of and interest on the Bonds. No premium will be paid on the Bonds in the event of the mandatory redemption of the Bonds. See "THE BONDS — Redemption Provisions — Mandatory Redemption Upon Default Under the Loan Agreement."

Real Estate Risks

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

Failed Completion. In the event that the Development is not completed, the Bonds may be subject to mandatory redemption. See "THE BONDS — Mandatory Redemption Upon Default Under Loan Agreement" and APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT."

Competing Facilities. There are other comparable apartment properties currently built that will compete with the Development for tenants. In addition, competing owners, including affiliates of the Borrower, may develop, construct, acquire and/or operate other facilities that could compete with the Development for tenants and the Issuer may issue bonds for financing such projects. There is no assurance that the tenants will not choose other competing projects over the Development. Any competing facilities could adversely affect rental rates, absorption and ultimately occupancy of the Development and the revenues generated by the Development and, consequently, may result in a mandatory redemption of the Bonds prior to maturity. See "THE BONDS — Redemption Provisions — Mandatory Redemption Upon Default Under the Loan Agreement."

Management of the Development. The successful operation of the Development will depend, to a large extent, upon the management services provided by Alpha-Barnes Real Estate Services and any successor property manager and upon the ability of the Borrower to lease the units and keep the Development substantially occupied through the term of the Bonds. There is no assurance that Alpha-Barnes Real Estate Services or any successor property manager will operate the Development on a profitable basis. There can be no assurance that the Development will be operated in a manner which will provide sufficient moneys to pay principal and interest on the Loan and to operate and maintain the Development. See "THE DEVELOPMENT AND THE PRIVATE PARTICIPANTS — The Manager."

Requirements of Tax-Exempt Financing and Tax Credits. The economic feasibility of the Development will depend, in large part, upon the Development being substantially occupied. The Borrower will be required, as a condition to preserving exclusion from federal income taxation of the interest on the Bonds, to maintain at least 40% of the units in the Development for occupancy by low income tenants. To meet this requirement, the Borrower has committed to set aside a minimum of 40% of the units in the Development for occupancy by tenants whose median income is at or below 60% of area median gross income. Additionally, the Borrower intends to qualify 100% of the units in the Development for low-income housing tax credits (the "Tax Credits") allocated to the Development pursuant to Section 42 of the Code and will enter into a Tax Credit Regulatory Agreement with respect to such Tax Credits. The low-income housing tax credit program (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. Requirements of the Code, the Issuer and the LIHTC Program require that units of the Development be set aside for persons of low and moderate income. There can be no assurance that the Borrower will be able to rent units to comply with these requirements, which may adversely affect net operating income, or at rates which will enable it to make timely payments on the Note. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT" attached hereto.

Estimated Development Expenses. 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.

Environmental Matters. There are potential risks relating to environmental liability associated with the ownership of any property, including the Development. If hazardous substances are found to be located on 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 foreclosure of the Development or active participation in the management of the Development by the Trustee on behalf of the Bondholders, the Trustee (and, indirectly the Bondholders) may be held liable for costs and other liabilities related to hazardous substances, if any, on the site of the Development on a strict liability basis and such costs may exceed the value of the Development. Such action could impact the Borrower's ability to pay principal and interest on the Loan.

Vacancies. The economic feasibility of the Development depends in large part upon its being substantially occupied. Although representatives of the Borrower believe, based on surveys 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 there may be difficulties in keeping it substantially occupied in future years.

The above-listed risks, while not comprehensive or exhaustive, may adversely affect the occupancy and revenues generated by the Development and consequently, may affect the risk of a mandatory redemption of the Bonds prior to maturity. See "THE BONDS — Redemption Provisions."

Equity Funding

The availability of equity proceeds to the Borrower from the Tax Credit Limited Partner (as hereinafter defined) is governed by the Borrower's Partnership Agreement and related documents of the Borrower, which contain certain conditions precedent to funding and potential adjustments to equity proceeds. See "THE DEVELOPMENT AND THE PRIVATE PARTICIPANTS — Plan of Financing — Tax Credit Limited Partner's Contribution." The failure to satisfy the conditions precedent to funding and to obtain amounts under the Partnership Agreement may result in a default under the various Loan documents and the exercise of remedies thereunder. There is no guaranty that these conditions will be met.

Forecasted Information

Information with regard to the Development has been obtained from the Borrower. Much of that information involves predictions with regard to future events; no guarantee can be made that such future events will in fact come to pass.

Limited Property Value and Enforceability of Remedies

The fair market value of the property comprising the Development may be less than the amount of the Bonds outstanding at any point in time. No assurance can be given that, if an Event of a Default occurs, and the Credit Bank is unable to honor a draw under the Letter of Credit sufficient proceeds would be realized to pay all claims of the holders of the then outstanding Bonds. The Bonds are payable from (a) draws made under the Letter of Credit, and if such draws are not honored by the Credit Bank, (b)

from the payments to be made under the Loan Agreement. Pursuant to the Indenture, the Bonds are secured by an assignment to the Trustee of the Mortgage. The practical realization of value from this Development upon any default will depend upon the exercise of various remedies specified by the Loan Agreement, the Mortgage and the Indenture. These and other remedies may, in many respects, require judicial actions, which are often subject to discretion and delay. Under existing law (including particularly the Federal Bankruptcy Code), the remedies specified by the Loan Agreement, the Mortgage or the Indenture may not be readily available or may be limited. A court may decide not to order the specific performance of some or all of the covenants contained in the Loan Agreement, the Mortgage 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 the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws affecting the enforcement of creditors' rights generally.

Early Redemption

Purchasers of Bonds should consider the fact that the Bonds are subject to optional and mandatory redemption at a redemption price equal to their principal amount plus accrued interest upon the occurrence of certain events. This could occur, for example, in the event the Note is prepaid as a result of a casualty or condemnation award affecting the Development or there is a default under the Mortgage. See "THE BONDS — Redemption Provisions." Under such circumstances, a purchaser of the Bonds whose Bonds are called for early redemption may not have the opportunity to hold such Bonds for a time period consistent with such purchaser's original investment intentions.

Uninsured Losses

The Borrower has arranged for comprehensive insurance coverage which is customary for apartment properties of a similar nature. There are certain types of losses which are not insured or insurable, such as "force majeure." Should such a catastrophic casualty occur, the Borrower would suffer a loss for which insurance benefits would not be available which could result in an early redemption. Under such circumstances, a purchaser of the Bonds whose Bonds are called for early redemption may not have the opportunity to hold such Bonds for a time period consistent with such purchaser's original investment intentions.

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 of the interest payable on the Bonds for federal income tax purposes, and the financing documents contain provisions and procedures designed to assure compliance with such covenant. See "TAX MATTERS". However, the Borrower's covenant to comply with the requirements of the Code is nonrecourse to the Borrower, and the Borrower's liability is limited to the revenues from and assets comprising the Development. Consequently, interest on the Bonds may become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds by reason of the Borrower's failure to comply with the requirements of the Code. If the interest on the Bonds becomes includable as gross revenue for federal income tax purposes, there is no provision in the Bonds or the Indenture for early redemption or for any "gross up" in the amount of interest to be paid on the Bonds.

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.

THE ISSUER

General

The Issuer, a public and official governmental agency of the State and a body corporate and politic, was created pursuant to the Act, effective September 1, 1991. The Issuer is the successor agency to the Texas Housing Agency (the "Agency") and the Texas Department of Community Affairs, both of which were abolished by the Act and their functions and obligations transferred to the Issuer. One of the purposes of the Issuer is to provide assistance to individuals and families of low and very low income and families of moderate income and persons with special needs to obtain decent, safe and sanitary housing. Pursuant to the Act, the Issuer may issue bonds, notes or other obligations to finance or refinance residential housing and to refund bonds previously issued by the Agency, the Issuer or certain other quasi-governmental issuers. The Act specifically provides that the revenue bonds of the Agency become revenue bonds of the Issuer.

The Issuer is subject to the Texas Sunset Act (Chapter 325, Texas Government Code, as amended, hereinafter referred to as the "Sunset Act,") and its continued existence is subject to a review process that resulted in passage of legislation in the 2003 Texas legislative session which continues the Issuer in existence until September 1, 2011, at which time it will again be subject to review. The Sunset Act, however, recognizes the continuing obligation of the State to provide for the payment of bonded indebtedness incurred by a State agency abolished under the provisions thereof and provides that the Governor of the State (the "Governor") 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, with the advice and consent of the State Senate. Board members hold office for six-year staggered terms. Each member serves until his or her successor is appointed and qualified. Each member is eligible for reappointment. Members serve without compensation, but are entitled to reimbursement for actual expenses incurred in performing their duties of office. The Act requires the Governor to make appointments so that the places on the Board are occupied by persons who have a demonstrated interest in issues related to housing and support services and who broadly reflect the geographic, economic, cultural, and social diversity of the State, including ethnic minorities, persons with disabilities, and women. The Governor designates a member of the Board to serve as the presiding officer (the "Chair") of the Board at the pleasure of the Governor. The Chair presides at all meetings and performs such other duties as may be prescribed from time to time by the Board and by the Act. In addition, the members of the Board elect one of its members as assistant presiding officer (the "Vice Chair") to perform the duties of the Chair when the Chair is not present or is

incapable of performing such duties. The Board also elects a Secretary and a Treasurer (which offices may be held by one individual and neither office holder is required to be a Board member) to perform the duties prescribed by the Board.

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

ELIZABETH ANDERSON, Chair and Board Member. Marketing/Information Technology Consultant, Dallas, Texas. Her term expires 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.

All of the above Board members have been appointed by the Governor and confirmed by the State Senate, except for Sonny Flores and Gloria L. Ray. Texas law requires that confirmations of any such appointment be considered at the next legislative session, whether regular or special. One position currently remains vacant. Any Board member whose term has expired continues to serve until his or her successor has been appointed.

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

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

from 1990-1997. Mr. Gerber received his undergraduate degree from George Washington University and a Masters of Business Administration from Marymount University.

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

ROBBYE MEYER, Director of Multifamily Finance Production. Ms. Meyer joined the Issuer in May 2001 as the Multifamily Bond Specialist in the Multifamily Bond Program Division. She was reclassified as the Multifamily Bond Administrator when the Issuer was reorganized in 2003. Ms. Meyer was named Manager of Multifamily Finance Production in April of 2005 and was subsequently named Director of Multifamily Production in September, 2006. As Director, she is responsible for the application, review, allocation, award, and closing on all multifamily funding sources 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 Issuer management 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 LIMITED OBLIGATIONS SOLELY OF THE ISSUER PAYABLE FROM THE REVENUES, RECEIPTS AND SECURITY PLEDGED THEREFOR UNDER THE INDENTURE. NONE OF THE UNITED STATES OF AMERICA, THE STATE, THE ISSUER, OR ANY OTHER POLITICAL SUBDIVISION OR BODY CORPORATE AND POLITIC OF THE STATE OR ANY AGENCY OF THE UNITED STATES OF AMERICA OR ANY ISSUER THEREOF, WILL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER OF THE ISSUER, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS WILL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF THE UNITED STATES OF AMERICA, THE STATE, THE ISSUER, OR ANY OTHER POLITICAL SUBDIVISION OR BODY CORPORATE AND POLITIC OF THE STATE, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. THE BONDS ARE NOT AN OBLIGATION, DEBT OR LIABILITY OF THE STATE, AND DO NOT CREATE OR CONSTITUTE A PLEDGE, GIVING OR LENDING OF THE FAITH, CREDIT, OR TAXING POWER OF THE STATE.

Other Indebtedness of the Issuer

Single Family Mortgage Revenue Bonds. Since 1979, the year of creation of the Agency, through December 31, 2006, there have been issued by the Agency or the Issuer, 27 series of Residential Mortgage Revenue Bonds, two series of GNMA Collateralized Home Mortgage Revenue Bonds, 49 series of Single Family Mortgage Revenue Bonds, four series of Junior Lien Single Family Mortgage Revenue Bonds, 11 series of Collateralized Home Mortgage Revenue Bonds, and 10 series of Single Family Mortgage Revenue Bonds (Collateralized Home Mortgage Revenue Bonds). As of December 31, 2006, the aggregate outstanding principal amount of bonded indebtedness of the Issuer for single family purposes was \$1,313,275,000.

Multifamily Housing Revenue Bonds. The Issuer and the Agency, through December 31, 2006, have issued 198 series of multifamily housing revenue bonds which have been issued pursuant to separate trust indentures and are secured by individual trust estates which are separate and distinct from each other. As of December 31, 2006, 137 series were outstanding with an aggregate outstanding principal amount of \$1,158,114,715 of multifamily housing revenue bonds.

THE DEVELOPMENT AND THE PRIVATE PARTICIPANTS

The following information concerning the Development and the private participants has been provided by representatives of the Borrower and other private participants and has not been independently confirmed or verified by the Underwriter or the Issuer. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

Plan of Financing

The total permanent project costs of the Development is estimated by the Borrower to be approximately \$14,913,106.23. The sources and uses of funds for the Development are projected by the Borrower to be approximately as follows:

Sources of Funds:

Bond Proceeds	\$8,000,000.00
Tax Credit Limited Partner's Contribution ⁽¹⁾	5,486,758.00
Interim Investment and Operating Income	528,955.00
Deferred Developer Fees	<u>897,393.23</u>
Total Sources:	<u>\$14,913,106.23</u>

Uses of Funds:

Land Acquisition	\$1,365,000.00
Construction Costs and Fees	9,239,483.00
Other Soft Costs	842,308.00
Developer Fee and Overhead	1,631,023.00
Deposit to Capitalized Interest Fund	1,035,000.00
Bond Related Cost of Issuance ⁽²⁾	596,292.23
Tax Credit Related Costs	54,000.00
Lease-Up Reserves	<u>150,000.00</u>
Total Uses:	<u>\$14,913,106.23</u>

- (1) Of this amount, \$1,371,689 will be provided as part of the Borrower's equity contribution at closing. The balance is expected to be funded during and after construction as certain conditions are met. See "Tax Credit Limited Partner's Contribution" below.
- (2) Costs of Issuance include, among other things, legal fees, financial advisor fees, fees of the Trustee, initial Letter of Credit fees, interest rate hedge cost, the Underwriter's fees and expenses, Rating Agency fees, printing costs and certain miscellaneous expenses.

Tax Credit Limited Partner's Contribution. Concurrently with the issuance of the Bonds, the Borrower expects to sell to Boston Capital Direct Placement, A Limited Partnership, a Massachusetts limited partnership or an affiliate thereof (the "Tax Credit Limited Partner") a 99.99% limited partnership interest in the Borrower. Pursuant to the sale, the Tax Credit equity, which is expected to total approximately \$5,486,758, will be paid in five installments of \$1,371,689, \$1,920,365, \$823,014, \$823,014 and \$548,676, respectively, during and after construction. The funding levels and the timing of the funding are subject to numerous adjustments and conditions which could result in the amounts funded and/or the timing or even occurrence of the funding varying significantly from the Borrower's current projections and neither the Issuer nor the Underwriter make any representation as to the availability of such funds.

Except to the extent expressly set forth herein, 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. No assurance can be given that the Development will be constructed or that it will be constructed and operated in accordance with the plans anticipated as of the date of this Official Statement.

The Development

The Development is expected to be a residential rental project comprised of 21 buildings with a total of 150 units. The Development will be dedicated to seniors aged 55 and older. The clubhouse for the Development will include a leasing office, community dining room, senior activity room, furnished community room and exercise room. The Development will be located on approximately 21.83 acres at approximately the 100 block of Fabra Street in Boerne, Texas. The Development's construction is expected to be completed in June 2008. The unit mix is expected to be as follows:

<u>Type of Unit</u>	<u>Number of Units</u>	<u>Approximate Square Footage Per Unit</u>
72	1 BR/1 BA	826
78	2 BR/2 BA	1,079

Unit amenities are expected to include: air conditioning, carpeting and vinyl tile, mini blinds, ceiling fans, dishwasher, disposal, range and oven, refrigerator, microwave, washer/dryer connections, individual water heaters and covered patios. The Development will contain approximately 333 parking spaces.

Affordability Restrictions

Code and State Law Restrictions. The Regulatory Agreement imposes certain requirements on the Development with respect to the tax-exempt status of the Bonds under the Code and certain other State law requirements which include, among other requirements, a set aside of 40% of the units for rental to persons or families having incomes at or below 60% of the area median income, adjusted for family size and determined in accordance with Section 142(d) of the Code. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT" herein for a description of the requirements affecting the operation of the Development in order to assure compliance with the Code, State law and to meet the Issuer's requirements.

Extended Low-Income Housing Agreement. In connection with the Tax Credits anticipated to be allocated to the Borrower in connection with the Development, the Borrower will execute an Extended Low-Income Housing Agreement in accordance with the requirements of Section 42 of the Code (the "Extended Low-Income Housing Agreement"). The Extended Low-Income Housing Agreement will extend the low-income housing tax credit income 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 Use Period"). The Extended Low-Income Housing Agreement will be executed by the Borrower and 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 recorded in the public land records as a covenant running with the land (to the extent the owners of the land join in the execution of the Extended Low-Income Housing Agreement). The Extended Low-Income Housing Agreement for the Development will, among other things, require that up to 100% of the completed and occupied residential rental units in the Development be occupied by tenants whose gross income is at or below 60% of 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 not permit (i) the eviction or termination of tenancy of an existing tenant without cause or (ii) any increase in the gross rent of any such units before the close of a three year period following such foreclosure.

The Borrower and the Developer

Boerne Terraces at Cibolo Apartments, L.P. is a Texas limited partnership (the "Borrower") whose general partner is Boerne Terraces at Cibolo Developers, L.L.C., a Texas limited liability company (the "General Partner"). The members of the General Partner include Resolution Real Estate Services, LLC. ("Resolution") and G.G. MacDonald Inc. ("MacDonald"). Since 1988, Resolution has been involved in the creation of over 6,000 units of affordable housing using Tax Credits. Since 1991, MacDonald has been active in the development, ownership, financing, construction and management of multifamily housing of over 1,659 units of affordable multifamily housing in the State.

The Borrower is a single-asset entity and is prohibited from acquiring any substantial assets or engaging in any substantial business activities other than those related to the ownership of the Project. However, partners of the Borrower or their affiliates may engage in the acquisition, development, ownership and arrangement of similar types of housing projects, including housing projects in the immediate vicinity of the Project that may compete with the Project.

The Loan is a nonrecourse obligation of the Borrower. Consequently, no financial information with respect to the Borrower is set forth herein.

The principal address of the Borrower is 2951 Fall Creek Road, Kerrville, Texas 78028.

The Architect

Archon Corporation, a Texas corporation (the "Architect") will be the architect for the Development. The Architect was formed in 1980, currently employs six people and has approximately \$75,000 in architectural design work under contract. The Architect has designed over 2,700 units of multifamily housing since 1999.

The principal address of the Architect is 2929 Carlisle Street, Suite 130, Dallas, Texas 75204.

The Manager

Alpha-Barnes Real Estate Services, a Texas joint venture (the "Manager"), will manage the Development. The Manager was formed in 2000, currently employs approximately 305 people and has approximately \$725,000,000 in property under management contract, including approximately 12,500 multifamily units.

The mailing address of the Manager is 12720 Hillcrest, Suite 400, Dallas, Texas 75230.

The Contractor

The general contractor for the Project is G. G. MacDonald, Inc., a Texas corporation (the "General Contractor"). The General Contractor is qualified to do business as a general contractor in Texas. The General Contractor was formed in 1991 and currently employs 14 people. Since 1991, the Contractor has placed in service over 2,885 units of affordable multifamily housing in the State. Currently, the General Contractor has approximately \$15,665,000 in construction work under contract. The General Contractor is also one of the members of the General Partner.

The mailing address of the General Contractor is 2951 Fall Creek Road, Kerrville, Texas 78028.

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 project, 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, Loan Agreement and Regulatory Agreement that they will comply with these requirements.

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

In the case of bonds used to provide residential rental housing, such as the Bonds, Section 142 of the Code requires that such bonds also satisfy the tenant eligibility requirements applicable to "qualified residential rental projects" under Section 142(d) of the Code. Section 142(d) of the Code requires that at all times during the Qualified Project Period a certain percentage of the units in the Development are to be occupied by individuals with income below certain levels as provided in Section 142(d) of the Code. The "Qualified Project Period" for the Development will commence on the first day on which 10 percent of the units in the Development are occupied and will end on the latest of the following: (1) the date that is 15 years after the date on which at least 50 percent of the units in the Development are first occupied; (2) the date on which no tax-exempt private activity bond (as defined in Section 141 of the Code) remains outstanding; or (3) the date on which any assistance provided with respect to each such project under Section 8 of the United States Housing Act of 1937, as amended, terminates. The United States Department of Treasury issued regulations (the "Regulations") setting forth requirements for compliance with a comparable provision of the predecessor of Section 142 of the Code. The Regulations require, among other things, that (1) the low-income set aside requirement of this predecessor provision must be met on a continuous basis during the Qualified Project Period, and (2) all of the units in the Development must be rented or available for rental to the general public on a continuous basis during the Qualified Project Period. Under the Regulations, the failure to satisfy the foregoing requirements on a continuous basis or the failure to satisfy any of the other requirements of the Regulations will, unless corrected within a reasonable period of not more than 60 days after such non-compliance is first discovered or would have been discovered by the exercise of reasonable diligence, cause interest on the Bonds to be includable in gross income for federal income tax purposes as of the date of their original issue, irrespective of the date such non-compliance actually occurred.

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

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.

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.

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.

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.

CONTINUING DISCLOSURE

During the time the Bonds bear interest at a Weekly Interest 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, or the Issuer will be provided to the owners of the Bonds so long as the Bonds bear interest at a Weekly Interest Rate. The Issuer has undertaken no obligation to provide continuing disclosure to the owners of the Bonds.

LEGAL MATTERS

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval as to their validity by Vinson & Elkins L.L.P., Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for Citibank, N.A., by its counsel, Rogers Towers, Jacksonville, Florida, for the Borrower by The Law Offices of J. Michael Pruitt, Bellaire, Texas, and for the Underwriter by Katten Muchin Rosenman LLP, Washington, D.C.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein. By rendering the legal opinion, the opinion giver does not become an insurer or guarantor of an expression of professional judgment of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

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

NO LITIGATION

The Borrower

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body for which service of process has been effected on the Borrower or, to the knowledge of the Borrower, threatened against or affecting the Borrower, or to its knowledge, any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by this Official Statement, the exclusion of interest on the Bonds from the gross income, for federal income tax purposes, of the owners of the Bonds or the validity or enforceability of the Bonds, the Indenture, the Loan Agreement, the Note or any other agreement or instrument to which the Borrower is a party and which is used or contemplated for use in the transactions contemplated by this Official Statement.

The Issuer

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body for which service of process has been effected on the Issuer or, to the knowledge of the Issuer, threatened against or affecting the Issuer, or to its knowledge, any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Official Statement, the validity or enforceability of the Bonds, the exclusion of interest on the Bonds from the gross income of the owners of the Bonds for federal income tax purposes or the validity or enforceability of the Bonds, the Indenture, the Loan Agreement, the Note or any other agreement or instrument to which the Issuer is a party and which is used or contemplated for use in the transactions contemplated by this Official Statement.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee and the Owners of the Bonds upon an event of default under the Loan 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 Federal Bankruptcy Code (Title 11 of the United States Code), the remedies provided for under the Federal Bankruptcy Code, the Loan Agreement, the Regulatory Agreement or the Indenture may not be readily available or may be limited.

In addition, the Loan Agreement and Regulatory Agreement 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 limited obligations payable solely from the income and assets of the Borrower, and no 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 in connection with the delivery of the Bonds, the Indenture, the Loan Agreement, the Regulatory Agreement and the Mortgage will be qualified to the extent that the enforceability of certain legal rights related to the Bonds, the Indenture, the Loan Agreement and the Regulatory Agreement are subject to limitations imposed by such things as the exercise of judicial discretion in accordance with general principles of equity (whether applied by a court of law or a court of equity), including judicial limitations on rights to specific performance and bankruptcy, insolvency and reorganization.

RATING

It is a condition to closing that Standard & Poor's, a Division of the McGraw-Hill Companies, Inc. ("S&P") assign the rating set forth on the cover hereof to the Bonds. Such rating expresses only the views of S&P. An explanation of the significance of the rating may be obtained from S&P at 55 Water Street, New York, New York 10041 (telephone 212-438-2000). There is no assurance that such rating will continue for any given period of time or will not be revised or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. None of the Issuer, the Underwriter or the Borrower has undertaken any responsibility to bring to the attention of the holders of the Bonds any proposed downward revision or withdrawal of a rating of the Bonds, or to oppose any such proposed downward revision or withdrawal. Any such downward revision in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

Citigroup Global Markets Inc. (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 \$91,589, from which the Underwriter will pay various fees and expenses, including the fees of its counsel. The Underwriter has agreed to purchase all of the Bonds, if any are purchased.

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 on the cover of this Official Statement.

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.

REMARKETING OF THE BONDS

The Remarketing Agent is Paid by the Borrower

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

The Remarketing Agent Routinely Purchases Bonds for its Own Account

The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account and, in its sole discretion, routinely acquires such tendered Bonds in order to achieve a successful remarketing of the Bonds (i.e., because there otherwise are not enough buyers to purchase the Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Bonds by routinely

purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Bonds. The Remarketing Agent may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may result in fewer Bonds being tendered in a remarketing.

Bonds May be Offered at Different Prices on Any Date Including a Rate Determination Date

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

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

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

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

Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts subject to the terms of the Remarketing Agreement. No removal of the Remarketing Agent will be effective until a successor remarketing agent has delivered an acceptance of its appointment to the Trustee.

MISCELLANEOUS

Copies of the Indenture, the Loan Agreement, the Regulatory Agreement and the Reimbursement Agreement are on file at the Principal Corporate Trust Office of the Trustee and are available for inspection upon request.

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 or

agreement among the Issuer, the Underwriter or the Borrower and the purchasers or holders of any of the Bonds. The use of this Official Statement has been approved by the Issuer and the Borrower.

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

BOERNE TERRACES AT CIBOLO APARTMENTS, L.P.

By: Boerne Terraces at Cibolo Developers, L.L.C.,
its General Partner

By: /s/ G. Granger MacDonald
G. Granger MacDonald, Manager

By: /s/ J. Steve Ford
J. Steve Ford, Manager

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APPENDIX A
PROPOSED FORM OF BOND COUNSEL OPINION

April 26, 2007

Texas Department of Housing and
Community Affairs
Austin, Texas

Wells Fargo Bank, National Association
Houston, Texas

Citigroup Global Markets Inc.
New York, New York

Citicorp USA, Inc.
Austin, 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 \$8,000,000 Multifamily Housing Revenue Bonds (Terraces at Cibolo) Series 2007 (the "Bonds") pursuant to a resolution adopted by the Issuer on April 12, 2007 (the "Bond Resolution") and a Trust Indenture dated as of April 1, 2007 (the "Indenture"), by and between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Bonds bear interest at the rate and mature on the date as provided in the Indenture. The Bonds are subject to mandatory and optional redemption prior to maturity as set forth in the Indenture. Capitalized terms used herein and not otherwise defined are used with the meanings assigned to such terms in the Indenture, in the Loan Agreement dated as of April 1, 2007 (the "Loan Agreement") among the Issuer, the Trustee and Boerne Terraces at Cibolo Apartments, L.P., a Texas limited partnership (the "Borrower"), or in the Regulatory and Land Use Restriction Agreement dated as of April 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 for seniors located within Harris County, Texas (the "Development"), to be occupied by individuals and families of low, very low and extremely 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 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 and certificates submitted to us as originals are accurate and complete; (iv) that all documents and certificates 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.

Bond Counsel's opinions also assume continuous compliance with all covenants and requirements set forth in the Indenture, the Loan 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.

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 Citibank, N.A., which, at the request of and for the account of Citigroup USA, Inc., is issuing and delivering an irrevocable direct pay letter of 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, the Trustee and the Borrower, and customary certificates, opinions, affidavits and other documents executed by officers, agents and representatives of the Issuer, the State, the Trustee, the Borrower and others. We have also examined the fully-executed Bond numbered R-1.

Based on said examination, and subject to the assumptions, qualifications and limitations set forth herein, it is our opinion that, under existing law:

1. The Issuer has duly authorized the issuance, execution and delivery of the Bonds. The Bonds constitute legal, valid and binding special limited obligations of the Issuer and are entitled to the benefit and security of the Indenture.
2. Interest on the Bonds is excludable from gross income for federal income tax purposes except with respect to the interest on any Bond for any period during which such Bond is held by a "substantial user" of the Development or a "related person," as those terms are defined for purposes of Section 147(a) of the Code.
3. Interest on the Bonds is 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 Citigroup Global Markets Inc., as underwriter, with respect to matters solely within the respective knowledge of such parties, which matters we have not independently verified. Furthermore, in providing the opinions set forth in paragraphs 2 and 3 above, we have also assumed that there will be continuing compliance with the procedures, safeguards and covenants in the Indenture, the Loan Agreement, the Regulatory Agreement and the Tax Certificate pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. In the event that such representations are determined to be inaccurate or incomplete or the Issuer or the Borrower fails to comply with the foregoing procedures, safeguards and covenants, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of original delivery of the Bonds, regardless of the date on which the event causing such includability occurs.

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

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

We express no opinion as to the priority or perfection of the security interest granted by the Issuer in the Trust Estate.

The enforceability of certain provisions of the Bonds, the Bond Resolution, the Indenture and the Loan Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors. Furthermore, availability of equitable remedies under the Bonds, the Bond Resolution, the Indenture and the Loan Agreement 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 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 Loan 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,

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**APPENDIX B
SELECTED DEFINITIONS**

Certain capitalized words and terms used but not elsewhere defined in this Official Statement will have the following meanings:

“Act” means Chapter 2306, Texas Government Code, as amended.

“Alternate Letter of Credit” means an alternate irrevocable letter of credit or similar credit facility delivered to the Trustee pursuant to the Loan Agreement, and meeting the requirements thereof.

“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.

“Approving Opinion” means with respect to any action the taking of which requires such an opinion, an unqualified opinion of counsel, which shall be from Bond Counsel, delivered to and in form and substance satisfactory to the Issuer to the effect that such action is permitted under the Act, the Code and the Indenture and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion of Bond Counsel delivered upon the original issuance of the Bonds).

“Asset Oversight Agent” means the Asset Oversight Agent selected by the Issuer, currently 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 April 1, 2007, between the Borrower and Asset Oversight Agent, as the same may be amended, modified or supplemented from time to time.

“Authorized Denomination” means during any Weekly Interest Rate Period, \$100,000 or any integral multiple of \$5,000 above such amount.

“Available Moneys” means (a) moneys derived from drawings under the Letter of Credit that are not commingled with any other moneys, (b) moneys held by the Trustee (other than in the Rebate Fund) and subject to a first-priority perfected lien under the Indenture for a period of at least 124 days and not commingled with any moneys so held for less than said period and during which period no petition in bankruptcy was filed by or against, and no receivership, insolvency, assignment for the benefit of creditors or other similar proceeding has been commenced by or against, the Borrower unless such petition or proceeding was dismissed and all applicable appeal periods have expired without an appeal having been filed, and the investment earnings thereon, that are not commingled with any other moneys, (c) any moneys as to which an opinion of nationally-recognized counsel experienced in bankruptcy matters is delivered to the Trustee and the Rating Agency to the effect that the payment of such moneys to the Bondholders would not constitute transfers avoidable under 11 U.S.C. §547(b) and recoverable from the Bondholders under 11 U.S.C. §550(a) should the Issuer or the Borrower be the debtor in a case under the Bankruptcy Code or (d) Bond proceeds and investment earnings thereon.

“Bank” means Citicorp USA, Inc., and its successors and assigns, and if an Alternate Letter of Credit is issued as the Letter of Credit, then “Bank” will mean the issuer of such Alternate Letter of Credit.

“Bank Bonds” will have the meaning set forth in “THE BONDS – Purchase and Remarketing of Bonds – Delivery of Remarketed Bonds”.

“Beneficial Owners” means those individuals, partnerships, corporations or other entities for whom the Direct Participants have caused DTC to hold Book-Entry Bonds.

“BMA Index Rate” means the rate published in The Bond Market Association Municipal Swap Index, produced by Municipal Market Data, a Thomson Financial Services Company, or its successors.

“Bond” or “Bonds” means the Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Terraces at Cibolo) Series 2007 issued in the aggregate principal amount of \$8,000,000.

“Bond Counsel” means any attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to exclusion from gross income of interest on bonds for federal income tax purposes issued by states and political subdivisions, appointed by the Issuer.

“Bond Registrar” or “Registrar” means the entity or entities performing the duties of the Bond Registrar pursuant to the Indenture.

“Bondholder” or “Owner” or “Holder” when used with respect to a Bond, means the Person in whose name such Bond is registered.

“Book-Entry Bonds” means the Bonds registered in the name of the nominee of DTC, or any successor securities depository for the Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

“Borrower” means Boerne Terraces at Cibolo Apartments, L.P., a Texas limited partnership, or any entity which is the surviving, resulting or transferee entity in any merger, consolidation or transfer of assets permitted under the Loan Agreement and the Regulatory Agreement and also means, unless the context otherwise requires, an assignee of the Loan Agreement as permitted by the Loan Agreement.

“Borrower’s Tax Certificate” means the Borrower’s Tax Certificate delivered to the Issuer by the Borrower on the Closing Date in which the Borrower certifies to various facts relating to the Development and the Bonds that bear on the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

“Business Day” means any day other than (a) a Saturday or Sunday, (b) a day on which commercial banks in New York, New York, or the city or cities in which the Principal Corporate Trust Office of the Trustee or the Tender Agent, the Principal Office of the Remarketing Agent or the office of the Credit Bank at which demands for payment under the Letter of Credit are to be presented are authorized or required by law to close or (c) a day on which the New York Stock Exchange is closed.

“Casualty Proceeds” means the proceeds from insurance or from actual or threatened condemnation or eminent domain action with respect to the Development, less any costs reasonably expended by the Borrower to receive such proceeds.

“Closing Date” means the date of initial issuance and delivery of the Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, and any successor statute, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the Treasury Department or Internal Revenue Service of the United States of America.

“Completion Date” means the date on which the Borrower provides to the Trustee a certificate to the effect that the Development is substantially complete, in accordance with the requirements of the Loan Agreement.

“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 and Borrower’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 expense 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 the Bonds, certification and authentication fees, public approval process costs, engineering and feasibility study costs, guarantee fees, other than for qualified guarantees (as defined in Section 1.148-4(f) of the Regulations) and charges and fees in connection with the foregoing.

“Credit Bank” means Citibank, N.A., and any other commercial bank, savings bank or association or other financial institution issuing a Letter of Credit then in effect.

“Determination of Taxability” means (a) a determination by the Commissioner or any District Director of the Internal Revenue Service, (b) a private ruling or Technical Advice Memorandum issued by the National Office of the Internal Revenue Service, or (c) a determination by any court of competent jurisdiction, in each case to the effect that the interest on the Bonds is includable in gross income for federal income tax purposes of the Holders thereof or any former Holder thereof, other than a Holder who is a former Holder who was a “substantial user” (as such term is defined in Section 147(a) of the Code) of the Development or a Related Person (as defined in the Regulatory Agreement); provided that no such Determination of Taxability under clause (a), (b) or (c) shall be deemed to have occurred unless the Borrower has been afforded the opportunity to contest such determination, and if the Borrower has elected to contest such determination in good faith and if the Borrower is proceeding with all applicable dispatch to prosecute such contest until the earliest of (i) a final determination from which no appeal may be taken with respect to such determination, or (ii) abandonment of such appeal by the Borrower.

“Development” or “Project” means the approximately 150-unit multifamily rental housing development for seniors built on the Land to be known as the Terraces at Cibolo.

“Development Costs” means, to the extent authorized by the Act, any and all costs incurred by the Borrower with respect to the acquisition, construction, and equipping, as the case may be, of the Development, whether paid or incurred prior to or after the date of the Regulatory Agreement, including, without limitation, the value of the land and buildings on the land; costs for site preparation, demolition, and development; costs and fees paid for the planning, execution and financing of the Development, including, without limitation, Costs of Issuance; other expenses reasonable and necessary to determine the feasibility of the Development; contractors and Borrower’s overhead and supervisor’s fees and costs

directly allocable to the Development; and administrative and other expenses reasonable and necessary to the Development and the financing thereof.

“Direct Participants” means those broker-dealers, banks and other financial institutions from time to time for which DTC holds the Bonds as securities depository.

“DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the New York Banking Law, or any successor securities depository for the Bonds.

“Eligible Tenant” means (a) individuals and families of low, very low and extremely low income, (b) families of moderate income (in each case in the foregoing clauses (a) and (b) as such terms are defined by the Issuer under the Act), and (c) 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.

“Event of Default” means any of the events specified in the Indenture and described in APPENDIX C — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Default and Remedies — Event of Default.”

“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 Loan Agreement.

“Government Obligations” means direct obligations of, or obligations the full and timely payment of the interest on and principal of which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America and including any receipt, certificate or any other evidence of an ownership interest in such an obligation or in specified portions thereof (which may consist of specified portions of interest thereon).

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

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

“Indenture” means the Trust Indenture dated as of April 1, 2007 between the Issuer and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

“Inducement Date” means December 14, 2006.

“Information Services” means Financial Information, Incorporated’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Moody’s “Municipal and Government,” 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Called Bonds Department; and Kenny S&P, 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds, or no such services, as the Issuer may indicate in a Written Certificate of the Issuer delivered to the Trustee.

“Intercreditor Agreement” means the Intercreditor Agreement dated as of April 1, 2007, among the Issuer, the Trustee and the Bank, joined and consented to by the Borrower, and in the event any substitute Letter of Credit is delivered, an intercreditor agreement between the issuer of such Letter of Credit, the Issuer and the Trustee, joined and consented to by the Borrower.

“Interest Payment Date” means during a Weekly Interest Rate Period, the first Wednesday of each month, commencing on May 2, 2007.

“Interest Rate Period” means either a Weekly Interest Rate Period or a Term Interest Rate Period.

“Issuer Administration Fee” means the fee payable annually in arrears to the Issuer on each April 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 March 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 April 1, 2010.

“Issuer Compliance Fee” means the fee payable annually in advance to the Issuer on each November 1, commencing April 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 April 1, 2008 to March 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 April 1, 2009.

“Issuer Documents” means the Indenture, the Loan Agreement, the Mortgage, the Regulatory Agreement, the Issuer’s No-Arbitrage Certificate and the Intercreditor Agreement.

“Issuer’s Fees” means, collectively, the Issuer Administration Fee and the Issuer Compliance Fee.

“Issuer’s No-Arbitrage Certificate” means the Issuer’s No-Arbitrage Certificate dated as of the Closing Date executed and delivered by the Issuer pursuant to Section 148 of the Code.

“Land” means the approximately 21.83 acre tract of land located at approximately the 100 block of Fabra Road, Boerne, Kendall County, Texas, as more particularly described in Exhibit A attached to the Mortgage together with any and all improvements thereon.

“Letter of Credit” means (a) initially, that certain Irrevocable Letter of Credit issued by the Credit Bank, naming the Trustee as beneficiary and delivered to the Trustee on the Closing Date, or any extension or renewal thereof, and (b) in the event of delivery of an Alternate Letter of Credit, such Alternate Letter of Credit.

“Loan” means the loan made by the Issuer to the Borrower pursuant to the Loan Agreement for the purpose of financing the Development.

“Loan Agreement” or “Agreement” means that certain Loan Agreement among the Trustee, the Issuer and the Borrower, dated as of April 1, 2007, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Indenture.

“Loan Default Event” means any one or more of the events specified in APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT – Defaults and Remedies – Loan Default Event.”

“Loan Documents” means, collectively, the Note, the Loan Agreement, the Mortgage, the Regulatory Agreement and the Tax Certificate 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.

“Loan Repayments” means the payments so designated and required to be made by the Borrower pursuant to the Loan Agreement.

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

“Maximum Rate” means the lesser of (a) the maximum non-usurious interest rate permitted by law to be paid on the Bonds, which under Section 1204.006 of the Texas Government Code, as amended, is currently a net effective interest rate of 15% or (b) 12% per annum.

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

“Moody’s” means Moody’s Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, then the term “Moody’s” will be deemed to refer to any other nationally recognized securities rating agency selected by the Issuer, with the approval of the Borrower and the Bank.

“Mortgage” means the First Deed of Trust, Assignment of Leases and Rents, Fixture Filing and Security Agreement, dated as of April 1, 2007, by the Borrower for the benefit of the Issuer and assigned by the Issuer to the Trustee, securing the obligations of the Borrower under the Note, as it may be originally executed or as from time to time supplemented, amended and restated.

“Note” means the Promissory/Mortgage Note dated as of April 1, 2007, from the Borrower to the Issuer, evidencing the Loan and assigned by the Issuer to the Trustee, as it may be originally executed or as from time to time supplemented, amended and restated.

“Opinion of Counsel” means a written opinion of counsel, who may be counsel for the Issuer or Bond Counsel or counsel for the Trustee or other counsel.

“Outstanding,” when used as of any particular time with reference to Bonds, means (excluding Bonds disqualified under the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which liability of the Issuer has been discharged in accordance with the Indenture, including Bonds (or portions of Bonds)

referred to as disqualified in the Indenture; (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds have been authenticated and delivered by the Trustee pursuant to the Indenture; and (d) Bonds which are deemed tendered but not delivered pursuant to the Indenture.

“Permitted Investments” means:

- (a) Government Obligations;
- (b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):
 - (i) Farmers Home Administration (FmHA) - Certificates of beneficial ownership;
 - (ii) Federal Housing Administration Debentures (FHA);
 - (iii) General Services Administration - Participation certificates;
 - (iv) Government National Mortgage Association (GNMA or “Ginnie Mae”) - guaranteed mortgage backed bonds and GNMA guaranteed pass-through obligations (participation certificates);
 - (v) U.S. Maritime Administration - Guaranteed Title XI financing;
 - (vi) U.S. Department of Housing and Urban Development (HUD) – Project notes and local authority bonds; and
 - (vii) Any other agency or instrumentality of the United States of America;
- (c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States of America government agencies (stripped securities are only permitted if they have been stripped by the agency itself):
 - (i) Federal Home Loan Bank System - Senior debt obligations (consolidated debt obligations);
 - (ii) Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”) - Participation certificates (mortgage-backed securities) and senior debt obligations;
 - (iii) Fannie Mae - mortgage-backed securities and senior debt obligations (excluding stripped mortgage securities which are valued greater than par on the portion of the unpaid principal);
 - (iv) Student Loan Marketing Association (SLMA or “Sallie Mae”) - Senior debt obligations;
 - (v) Resolution Funding Corp. (REFCORP) - Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;
 - (vi) Federal Farm Credit System - Consolidated system wide bonds and notes; and

(vii) Any other agency or instrumentality of the United States of America;

(d) Money market funds, including but not limited to Wells Fargo 100% Treasury Fund, registered under the Federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by S&P of AAAM-G or AAAM and by Moody's of Aaa;

(e) Certificates of deposit issued by a state or national bank or a state or federal savings and loan; provided that such certificates of deposit will be either (i) continuously and fully insured by the FDIC; or (ii) have a maturity of not greater than 365 days and have the highest short-term letter and numerical ratings of Moody's and S&P;

(f) Savings accounts or money market deposits that are fully insured by FDIC;

(g) Any investment agreements, including guaranteed investment contracts, acceptable to the Bank;

(h) Commercial paper of "prime" quality rated in the highest rating category by Moody's and S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States;

(i) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies;

(j) Federal funds or banker's acceptances which are eligible for purchases by members of the Federal Reserve System, drawn on any bank the short-term obligations of which are rated in the highest rating category by Moody's and S&P; provided that the maturity cannot exceed 270 days;

(k) Repurchase agreements with maturities of either (A) 30 days or less, or (B) less than one year, provided that the collateral is marked-to-market daily, entered into with financial institutions such as banks or trust companies organized under state or federal law, insurance companies, or government bond dealers reporting to, or trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of SIPC, or with a dealer or parent holding company that is rated A or better by Moody's and S&P. The repurchase agreement must be in respect of Government Obligations or obligations described in paragraph (b) herein, which, exclusive of accrued interest, will be maintained at least 100% of par. In addition, repurchase agreements will meet the following criteria: (i) the third party (who will not be the provider of the collateral) has possession of the repurchase securities and the Government Obligations; (ii) failure to maintain the requisite collateral levels will require liquidation; and (iii) the third party having possession of the securities has a perfected, first priority security interest in the securities;

(l) Any other debt or fixed income security approved by the Bank and rated in the highest rating category by Moody's and S&P, including prerefunded municipal obligations; and

(m) Any other investment or account at a state or national bank acceptable to the Bank.

In connection with the purchase of any Permitted Investment, the Issuer or the Trustee, with the consent of the Bank, may enter into agreements, including forward purchase agreements, with the seller thereof.

"Person" means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Persons With Special Needs” means persons who (a) are considered to be individuals having a disability under State or federal law, (b) are elderly, meaning 60 years of age or more, (c) 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 (d) are legally responsible for caring for an individual described by clauses (a), (b) or (c) above and meet the income guidelines established by the governing board of the Issuer.

“Principal Corporate Trust Office” means with respect to the Trustee, the office of the Trustee at 1021 Main Street, Suite 2403, MAC T5017-241, Houston, Texas 77002, Attention: Corporate Trust Office, or such other or additional offices as may be specified to the Issuer by the Trustee in writing, and with respect to the Tender Agent or the Bond Registrar, the office of the Tender Agent or the Bond Registrar, as applicable, at which at any particular time its corporate trust business will be principally administered.

“Principal Reserve Schedule” means the schedule attached to the Note, setting forth principal payments to be made by the Borrower, as such schedule may be modified from time to time.

“Project Site” means the parcel or parcels of real property described in the Regulatory Agreement, and all rights and appurtenances appertaining thereunto.

“Purchase Date” means the date on which any Bond is required to be purchased pursuant to the Indenture.

“Purchase Price” means that amount equal to 100% of the principal amount of any Bond purchased pursuant to the Indenture, plus accrued and unpaid interest thereon to but not including the Purchase Date or the date on which such Bond is deemed purchased in accordance with the Indenture.

“Qualified Project Period” means, with respect to the Development, the period beginning on the first date on which 10% of the Units are occupied and ending on the latest of (a) the date that is 15 years after the date on which 50% of the Units in the Development are occupied, (b) 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 (c) the date on which any assistance provided with respect to the Development under Section 8 of the Housing Act terminates.

“Rate Determination Date” means with respect to a Weekly Interest Rate Period, Tuesday of each week, or if such Tuesday is not a Business Day the next succeeding Business Day.

“Rating Agency” means S&P, for so long as S&P maintains a rating on the Bonds, or any other nationally recognized securities rating agency that maintains a rating on the Bonds.

“Rebate Analyst” means any person, chosen by the Borrower and at the expense of the Borrower, qualified and experienced in the calculation of rebate payments under Section 148 of the Code and compliance with the arbitrage rebate regulations promulgated under the Code, which is engaged for the purpose of determining the amount of required deposits to the Rebate Fund, if any.

“Record Date” means, during a Weekly Interest Rate Period, the Business Day immediately preceding the applicable Interest Payment Date.

“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 dated as of April 1, 2007, by and among the Borrower, the Trustee and the Issuer, together with all supplements thereto.

“Reimbursement Agreement” means the Reimbursement Agreement, dated as of April 1, 2007, between the Borrower and the Bank, and any other similar agreement entered into in connection with the issuance of any Alternate Letter of Credit.

“Reimbursement Rights” means (a) the rights of the Trustee and the Issuer to receive reimbursement and indemnification pursuant to the Issuer Documents, including the indemnification provided for in the Loan Agreement, and (b) all enforcement remedies with respect to the foregoing, all of which shall survive any transfer or payment of the Bonds in full or in part and, if so indicated in the Loan Agreement or the Indenture, which shall also survive the termination of the Loan Agreement or the Indenture, as applicable.

“Replacement Reserve Fund Requirement” means an annual minimum amount equal to \$200 per unit of the Development (or such greater or lesser amount as directed in writing by the Bank) payable 1/12 each month (after giving credit for the amount, if any, to be escrowed in the Replacement Reserve Fund on the Closing Date), commencing on the earlier of (i) May 15, 2009, and (ii) the 15th day of the month following the Stabilization Date (as such term is defined in the Reimbursement Agreement).

“Reserved Rights” means (a) all of the Issuer’s right, title and interest in and to the Reimbursement Rights, (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 and the Loan Documents requiring the determination, consent or approval of the Issuer, (d) all rights of the Issuer to 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 and the Loan Documents 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, in the Indenture 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 Issuer Documents, (g) any and all limitations of the Issuer’s liability and the Issuer’s disclaimers of warranties set forth in the Indenture or the Loan Documents, and the Issuer’s right to inspect and audit the books, records and permits of the Borrower and the Development and (h) any and all rights under the Loan Agreement and the Regulatory Agreement required for the Issuer to enforce or comply with Section 2306.186 of the Texas Government Code.

“Revenues” means all amounts received by the Issuer or the Trustee for the account of the Issuer pursuant or with respect to the Loan Agreement or the Letter of Credit, including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments, any late charges, and paid from whatever source), prepayments, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture, but not including any Additional Payments (as defined in the Indenture).

“S&P” means Standard & Poor’s, a Division of The McGraw-Hill Companies, Inc., and its successors and assigns, except that if such entity will be dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term “S&P” will be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer, with the approval of the Borrower and the Bank.

"Securities Depositories" means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax: (516) 227-4039 or 4190; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories, as the Issuer may indicate in a written certificate of the Issuer delivered to the Trustee.

"State" means the State of Texas.

"State Restrictive Period" means, with respect to the Development, the period beginning on the first day on which the Borrower takes legal possession of the Development, and at least 10% of the Units are available for occupancy and ending on the latest of (a) the date that is 30 years after the first day of the State Restrictive Period, (b) 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 (c) the date on which any assistance provided with respect to the Development under Section 8 of the Housing Act terminates.

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

"Tax Certificate" means, collectively, the Borrower's Tax Certificate and the Issuer's No-Arbitrage Certificate.

"Tender Agent" means the Trustee, or any successor tender agent appointed pursuant to the Indenture.

"Tender Agent Fees" means the annual continuing fee of the Tender Agent payable by the Borrower as provided in the Loan Agreement, which fee will be payable semiannually in advance on each April 15 and October 15, with the first payment to be made on the date of issuance of the Bonds. Initially, the Trustee will act as Tender Agent and the Tender Agent's Fee shall be \$0.

"Term Interest Rate" means a non-variable interest rate on the Bonds established as described under "THE BONDS — Determination of Interest Rate on the Bonds — Adjustment to Term Interest Rate Period."

"Term Interest Rate Period" means each period during which a Term Interest Rate is in effect.

"Trustee" means Wells Fargo Bank, National Association, a national banking association organized and existing under and by virtue of the laws of the United States, or its successor as Trustee under the Indenture as provided therein.

"Trustee's Fees" means the ongoing compensation and expenses payable to the Trustee which will include as follows: (a) equal to .055% per annum of the principal amount of the Bonds outstanding (with a minimum of \$3,500) payable as provided in the Loan Agreement, computed and payable semiannually in advance on each interest payment date; (b) for purposes of the Loan Agreement, indemnification of the Trustee by the Borrower; and (c) an acceptance fee in the amount of \$3,000 which will be due on the Closing Date.

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

"Weekly Interest Rate" means a variable interest rate on the Bonds established weekly in accordance with the Indenture.

"Weekly Interest Rate Period" means each period during which Weekly Interest Rates are in effect.

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APPENDIX C
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture. The summary does not purport to be complete or definitive and reference is made to the full text of the Indenture for a complete recital of its terms, a copy of which is on file with the Trustee.

Revenues and Funds

The following funds and accounts to be held by the Trustee are established by the Indenture:

(a) the Project Fund, and within the Project Fund, (i) the Project Account (and within the Project Account, the Bond Proceeds Subaccount, and the Borrower Equity Subaccount) and (ii) the Capitalized Funds Account (and within the Capitalized Funds Account, a Bond Proceeds Subaccount and a Borrower Equity Subaccount);

(b) the Revenue Fund and within the Revenue Fund, the Interest Account, the Principal Account, the Letter of Credit Account and the Redemption Account;

(c) the Costs of Issuance Fund;

(d) the Rebate Fund;

(e) the Administrative Expense Fund;

(f) the Principal Reserve Fund;

(g) the Replacement Reserve Fund;

(h) the Tax and Insurance Escrow Fund; and

(i) the Unclaimed Moneys Account.

Project Fund

The Trustee will establish a Project Fund, and within such fund (a) a Project Account from which the Trustee will make payments to pay the Development Costs only upon (i) satisfaction of the conditions set forth in the Loan Agreement and (ii) receipt by the Trustee of a requisition in the form provided in the Indenture (upon which the Trustee, the Bank and the Issuer will rely and will be protected in relying) signed by an Authorized Borrower Representative (as defined in the Indenture), and approved by the Bank, and (b) a Capitalized Funds Account, from which the Trustee will automatically transfer amounts necessary to pay interest on the Bonds and other administrative expenses until the funds in such account are fully utilized.

Revenue Fund

All Revenues (except Revenues derived from interest earnings on moneys in the Rebate Fund, the Principal Reserve Fund and the Project Fund and amounts drawn under the Letter of Credit) will be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the Revenue Fund, which the Trustee will establish, maintain and hold in trust. All Revenues deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

On or before any date on which interest or principal (whether at maturity, or by redemption or acceleration) is due, the Trustee will transfer funds from the Revenue Fund, from the sources and in the order of priority described in the Indenture, and deposit into the following respective funds and accounts, the following amounts, in the following order of priority, the requirements of each such fund or account (including the making up of any deficiencies in any such fund or account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any fund or account subsequent in priority:

First: to the Interest Account, the aggregate amount of interest becoming due and payable on the next succeeding Interest Payment Date on all Bonds then Outstanding, until the balance in said account is equal to said aggregate amount of interest.

Second: to the Principal Account, the aggregate amount of principal due at maturity.

Third: to the Redemption Account, the aggregate amount of principal and premium, if any, next coming due by acceleration or redemption as permitted or required under the Indenture, other than an optional redemption.

Fourth: to the Administrative Expense Fund, amounts paid by the Borrower for administrative expenses in accordance with the Loan Agreement.

Fifth: to the Tax and Insurance Escrow Fund, amounts paid by the Borrower for taxes and insurance in accordance with the Loan Agreement.

Sixth: to the Replacement Reserve Fund, amounts paid by the Borrower to satisfy the Replacement Reserve Fund Requirement pursuant to the Loan Agreement.

Seventh: to the Principal Reserve Fund, amounts paid by Borrower in accordance with the Principal Reserve Schedule.

Eighth: to the Redemption Account, the aggregate amount of principal and premium, if any, next coming due by virtue of an optional redemption of the Bonds.

Any partial payment of the amounts due from the Borrower will be applied in accordance with the priority set forth above.

Payment of Bonds

Funds for the payment of the principal or redemption price of and interest on the Bonds will be derived from the following sources in the order of priority indicated in each of the accounts in the Revenue Fund:

(a) moneys paid into the Letter of Credit Account of the Revenue Fund from a draw by the Trustee under the Letter of Credit (provided that no moneys from the Letter of Credit Account will be used to pay principal or interest on any Bonds held by or for the account of the Bank or the Borrower);

(b) moneys paid into the Revenue Fund as described in "Revenue Fund" above and proceeds from the investment thereof that constitute Available Moneys;

(c) any other moneys (other than from draws on the Letter of Credit) deposited in the Revenue Fund and proceeds from the investment thereof which constitute Available Moneys; and

(d) any other moneys paid into the Revenue Fund and deposited in the Revenue Fund and proceeds from the investment thereof which are not Available Moneys.

Under no conditions will any moneys described in clause (d) above ever be used to pay the Purchase Price of Bonds tendered but not remarketed pursuant to the Indenture.

Letter of Credit Account

All moneys drawn under the Letter of Credit (other than to pay the Purchase Price of the Bonds) will be deposited into and disbursed from the Letter of Credit Account for the purpose for which such draw was made in accordance with the provisions of the Indenture described under "Letter of Credit" below. None of the Borrower, any partner of the Borrower, or the Issuer will have any right, title, or interest in or to the Letter of Credit Account. The Letter of Credit Account will be established and maintained by the Trustee and held in trust apart from all other moneys and securities held under the Indenture or otherwise, and over which the Trustee will have the exclusive and sole right of withdrawal for the exclusive benefit of the Bondholders with respect to which such drawing was made.

Letter of Credit

The Trustee will draw moneys under the Letter of Credit in accordance with the terms thereof in an amount necessary to make timely payments of principal of and interest on the Bonds, other than Bonds owned by or for the account of the Borrower or the Bank, when due whether at maturity, redemption, acceleration, an Interest Payment Date, or otherwise. In addition, the Trustee will draw moneys under the Letter of Credit in accordance with the terms thereof to the extent necessary to make timely payments required to be made pursuant to, and in accordance with, the provisions of the Indenture with regard to tender for purchase of Bonds and purchase and remarketing of Bonds, other than Bonds owned by or for the account of the Borrower or the Bank. The Trustee will draw moneys under the Letter of Credit as described in this paragraph prior to the transfer or disbursement of moneys from any other fund or account under the Indenture.

Rebate Fund

The Trustee will deposit or transfer to the credit of the Rebate Fund each amount delivered to the Trustee by the Borrower for deposit thereto and each amount directed by the Borrower to be transferred thereto.

Within five days after each receipt of instructions from the Borrower in accordance with the Indenture, the Trustee will withdraw such funds as indicated in the Borrower's instructions from the Rebate Fund and pay such funds to the United States of America.

Within five days after receipt of instructions from the Borrower pursuant to the Indenture, the Trustee will withdraw such amount as indicated in the Borrower's instructions from the Rebate Fund and pay such amount to the United States of America.

All payments to the United States of America as described in this section will be made by the Trustee for the account and in the name of the Issuer and will be paid by check posted by registered United States Mail (return receipt requested), addressed to the appropriate Internal Revenue Service Center (accompanied by the relevant Internal Revenue Service Form 8038-T to be provided to the Trustee by the Borrower concurrently with the deposit of funds).

If at any time during the term of the Indenture the Issuer, the Trustee or the Borrower desires to take any action which would otherwise be prohibited by the terms described in this section, such Person will be permitted to take such action (with the consent of the Borrower in the case of action by the Issuer or the Trustee) if it will first obtain and provide at the expense of the Borrower to the other Persons named in the Indenture, an opinion of Bond Counsel to the effect that such action will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes and will be in compliance with the laws of the State and the terms of the Indenture.

Moneys and securities held by the Trustee in the Rebate Fund will not be deemed funds of the Issuer and are not pledged or otherwise subject to any security interest in favor of the Owner to secure the Bonds or any other obligations.

Moneys in the Rebate Fund may be separately invested and reinvested by the Trustee, at the request of and as directed in writing by the Borrower, in Permitted Investments, subject to the Code. The Trustee will sell and reduce to cash a sufficient amount of such Permitted Investments whenever the cash balance in the Rebate Fund is insufficient for its purposes.

Notwithstanding the foregoing, the computations and payments referred to in this section need not be made to the extent that neither the Issuer nor the Borrower will thereby fail to comply with any requirements of Section 148(f) of the Code based on an opinion of Bond Counsel, a copy of which will be provided to the Trustee, the Issuer and the Borrower. In such event the Borrower will be entitled to withdraw funds from the Rebate Fund to the extent the Borrower will provide a Favorable Opinion of Bond Counsel to the Issuer and the Trustee.

Administrative Expense Fund

The Trustee will maintain the Administrative Expense Fund separate from any other fund established and maintained under the Indenture. The Trustee will deposit into the Administrative Expense Fund all moneys required to be transferred therein from the Capitalized Funds Account pursuant to the Indenture, amounts transferred therein from the Revenue Fund pursuant to the Indenture, and other payments made by the Borrower under the Loan Agreement attributable to the Fees and Expenses. No other moneys will be deposited into the Administrative Expense Fund.

On any date on which any amounts are required to pay any portion of any Fees and Expenses, such amounts will be withdrawn by the Trustee from the Administrative Expense Fund for payment of such portion of the Fees and Expenses to the appropriate party. In the event the amount in the Administrative Expense Fund is insufficient to pay the 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 Loan 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.

Principal Reserve Fund

The Trustee will deposit each of the following amounts into the Principal Reserve Fund:

- (a) all of the monthly payments made by the Borrower in accordance with the Principal Reserve Schedule attached to the Note as such schedule may be amended in writing in accordance with its terms; and
- (b) investment income earned on amounts on deposit in the Principal Reserve Fund.

During the Weekly Interest Rate Period, the Trustee will transfer all amounts (other than certain investment income described in the following paragraph) on deposit in the Principal Reserve Fund (rounded downward to the nearest multiple \$5,000 with a minimum of \$100,000) to the Redemption Account on the tenth Business Day prior to each Interest Payment Date.

On the Interest Payment Date (or the next Business Day, if such Interest Payment Date is not a Business Day) following receipt by the Trustee of investment income on moneys in the Principal Reserve Fund, the Trustee will pay such investment income to the Borrower, provided that there is no deficiency in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Administrative Expense Fund, the Replacement Reserve Fund, the Tax and Insurance Escrow Fund or the Rebate Fund, and that no default exists under the Loan Documents or the Indenture. If a deficiency exists in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Administrative Expense Fund, the Replacement Reserve Fund, the Tax and Insurance Escrow Fund or the Rebate Fund, the Trustee will transfer such investment income to the extent necessary to eliminate any such deficiency to the Rebate Fund, the Interest Account, the Redemption Account, the Administrative Expense Fund, the Replacement Reserve Fund, the Tax and Insurance Escrow Fund and/or the Principal Reserve Fund, in that order of priority, prior to any payment to the Borrower.

Replacement Reserve Fund

The Trustee will deposit into the Replacement Reserve Fund the amounts required to be transferred to the Replacement Reserve Fund pursuant to the Indenture and the Loan Agreement. The Trustee will make disbursements from the Replacement Reserve Fund upon receipt of a written requisition executed by the Borrower (unless the Borrower is in default under any of the Loan Documents) and the Bank.

Notwithstanding anything contained in the Indenture to the contrary, if the Borrower fails to maintain the Development or make repairs in accordance with Section 2306.186 of the Texas Government Code, the Issuer will be entitled, but not obligated, to direct the application of funds held by the Trustee in the Replacement Reserve Fund, in order to make repairs as authorized by Section 2306.186 of the Texas Government Code.

Tax and Insurance Escrow Fund

The Trustee will deposit into the Tax and Insurance Escrow Fund all moneys paid to the Trustee pursuant to the provisions of the Loan Agreement regarding such moneys. The Trustee will, at the request of the Borrower with the written approval of the Bank, disburse moneys from the Tax and Insurance Escrow Fund to make payments when due for amounts required by the Loan Agreement in connection with real estate taxes, fire or property insurance for the Development, or other similar payments in the following order of priority: (a) insurance for the Development; and (b) real estate taxes for the Development.

Costs of Issuance Fund

Moneys on deposit in the Costs of Issuance Fund will be used solely to pay the Costs of Issuance. Any moneys remaining in the Costs of Issuance Fund six months after the Closing Date and not needed to pay still unpaid Costs of Issuance will be returned to the Borrower.

Investment of Moneys

Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture will be invested by the Trustee in Permitted Investments as directed by the Borrower, approved in writing by the Bank. The Borrower will not direct the Trustee to invest any funds in anything other than Permitted Investments. Notwithstanding any other provision of the Indenture, in the absence of written investment instructions delivered to the Trustee by noon of the Business Day preceding the day when investments are to be made, the Trustee is directed to invest available funds in the Permitted Investments listed in clause (d) of the definition thereof. The Trustee will not be liable for any consequences resulting from any investments made pursuant to the preceding sentence. The Indenture contains various limitations with respect to investments, including maturity and yield limitations and restrictions on the specific types of Permitted Investments in which moneys held in various funds and accounts may be invested.

Payment of the Bonds

Pursuant to the Indenture, the Issuer will punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of the Revenues and other assets pledged for such payment as provided in the Indenture. The payments, revenues, securities and receipts assigned for payment of the Bonds, as well as the security and terms and conditions for payment, are described in the sections hereof entitled "THE BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." The Indenture provides that the Trustee will draw upon the Letter of Credit to make timely payments of the Bonds.

Default and Remedies

Events of Default. Each of the following events will constitute an "Event of Default" under the Indenture:

- (a) default in the due and punctual payment of any installment of interest on any Bond, when and as such interest installment will become due and payable; or
- (b) default in the due and punctual payment of the principal or Purchase Price of, or premium (if any) on, any Bond when and as the same will become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise; and
- (c) failure by the Issuer to perform or observe any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and the continuation of such failure for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, will have been given to the Issuer, the Bank, and the Borrower by the Trustee, or to the Issuer, the Bank, the Borrower and the Trustee by the Owners of not less than 66-2/3% in aggregate principal amount of the Bonds at the time Outstanding.

Acceleration. During the continuance of an Event of Default, subject to the Intercreditor Agreement, the Trustee may, and upon the written direction of the Owners of not less than 66-2/3% in aggregate principal amount of the Bonds at the time Outstanding, or upon the occurrence of an Event of Default described in (a) or (b) in the paragraph above, the Trustee will, immediately upon such occurrence, by notice in writing to the Issuer, the Borrower and the Bank, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon

any such declaration the same will become and will be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding. Upon any such declaration the Trustee will immediately draw upon any then existing Letter of Credit in accordance with the terms thereof and apply the amount so drawn to pay the principal of and interest on the Bonds so declared to be due and payable. Interest on the Bonds will cease to accrue as of the date of acceleration. The Trustee will notify the Bondholders of the date of acceleration and the cessation of accrual of interest on the Bonds in the same manner as for a notice of redemption as provided in the Indenture.

The preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered as hereinafter described, and before the Letter of Credit has been drawn upon in accordance with its terms and honored, there has been deposited with the Trustee Available Moneys in an amount sufficient to pay all the principal of the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal as provided in the Loan Agreement, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) have been made good or cured or provision has been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Issuer and to the Trustee, may, on behalf of all of the Bondholders, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment will extend to or will affect any subsequent default, or will impair or exhaust any right or power consequent thereon. Notwithstanding any other provision in the Indenture, the Trustee may not exercise any remedy upon an Event of Default under the Indenture without the written consent of the Bank, so long as the Letter of Credit is in effect and the Credit Bank has not wrongfully failed to make a payment thereunder. The Trustee may exercise any and all remedies under the Indenture and the Loan Agreement (except acceleration or foreclosure of the Mortgage) to collect any fees, expenses and other amounts due from the Borrower without obtaining the consent of the Bank.

Application of Revenues and Other Funds after Default. If an Event of Default occurs and continues, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture and otherwise available for this purpose will be applied by the Trustee as follows and in the following order: (1) to the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Bondholders and payment of reasonable charges and expenses of the Trustee and its counsel incurred in and about the performance of its powers and duties under the Indenture and the Loan Agreement; and (2) to the payment of the principal of and interest then due on the Bonds, all as more specifically set forth in the Indenture.

Institution of Legal Proceedings by Trustee. If one or more of the Events of Default happens and is continuing, the Trustee in its discretion may, and upon the written direction of the Owners of not less than 66-2/3% in aggregate principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction therefor will, proceed to protect or enforce its rights or the rights of the Bondholders under the Act, the Indenture or the Loan Agreement by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained therein, or in aid of execution of any power therein granted or for the enforcement of any other legal or equitable remedy as the Trustee will deem most effectual in support of any of its rights or duties under the Indenture.

Right of Bank and Bondholders to Direct Proceedings. Anything in the Indenture to the contrary notwithstanding, the Bank (so long as the Letter of Credit and any drawing thereunder is in full force and effect and has not been wrongfully dishonored), and the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, if the Letter of Credit is not in full force and effect or has been

wrongfully dishonored, will have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction will not be otherwise than in accordance with law and the provisions of the Indenture, and the Trustee has the right to decline to follow any such direction which in the opinion of the Trustee could subject the Trustee to personal liability or would be unjustly prejudicial to Bondholders not parties to such direction, it being understood that (subject to the provisions of the Indenture pertaining to the duties of the Trustee) the Trustee will have no duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such Bondholders, or for which it has not been provided adequate indemnity in accordance with the Indenture. In the event of a conflict between the directions of the Bank and those of the Owners with respect to an Event of Default, the directions of the Bank will prevail so long as the Letter of Credit and any drawing thereunder is in full force and effect and has not been wrongfully dishonored.

Limitation on Bondholder's Right to Sue. No Bondholder will have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Loan Agreement, the Act or any other applicable law with respect to such Bond, unless (1) such Bondholder previously has given to the Trustee written notice of the occurrence of an Event of Default as provided in the Indenture; (2) the Owners of not less than 66-2/3% in aggregate principal amount of the Bonds then Outstanding have made written request upon the Trustee to exercise the powers thereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Bondholder or said Bondholders will have tendered to the Trustee adequate indemnity in accordance with the Indenture against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee has refused or omitted to comply with such request for a period of 60 days after such written request has been received by and said tender of indemnity has been made to, the Trustee. Such notification, request, tender of indemnity and refusal or omission are conditions precedent to the exercise by any Bondholder of any remedy under the Indenture or under law; it being understood and intended that no one or more Bondholders will have any right in any manner whatever by its or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Bondholder, or to enforce any rights under the Indenture, the Loan Agreement, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right will be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of Owners of the Outstanding Bonds, subject to the terms of the Indenture.

Waiver of an Event of Default. The Trustee will, at the written direction of the Bank, and may, subject to the prior written consent of the Bank, waive any Event of Default under the Indenture and its consequences and rescind any declaration of acceleration of maturity or principal, upon notice provided to the Borrower; provided, however, that there will not be waived (a) any Event of Default in the payment of the principal of or premium on any Outstanding Bonds on the redemption date or at the date of maturity specified therein or (b) any Event of Default in the payment when due of the interest on any such Bonds, unless prior to such waiver the following have been paid or provided for (x) all arrearages of interest, with interest thereon (to the extent permitted by law) with respect to which such Event of Default has occurred, (y) all payments of principal and premium, if any, with interest thereon (to the extent permitted by law) with respect to which such Event of Default has occurred and (z) all expenses of the Trustee and Paying Agent in connection with such Event of Default. No such waiver or rescission will extend to any subsequent or other Events of Default, or impair any right consequent thereon.

The Trustee

Generally. The Trustee will, prior to an Event of Default under the Indenture, and after the curing of all Events of Default under the Indenture which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture. The Trustee will, during the existence

of any Event of Default which has not been cured, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Removal. The Trustee may be removed at any time upon 30 days' prior written notice to the Trustee (a) by the Issuer upon notice to the Bank and Borrower, (b) by the Bank upon notice to the Issuer, or (c) by an instrument or concurrent instruments in writing delivered to the Issuer, the Bank, the Trustee and the Borrower, signed by the Owners of not less than 66-2/3% in aggregate principal amount of the Bonds then Outstanding, which written instrument will designate a successor Trustee approved by the Issuer and the Bank. Such removal will not be effective until a successor Trustee satisfying the requirement of the Indenture is appointed and has accepted its appointment. The Person removing the Trustee will provide written notice of such removal to the Remarketing Agent.

Resignation. The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the Issuer, the Credit Bank, the Bank, the Remarketing Agent and the Bondholders. Upon receiving such notice of resignation, the Issuer will appoint a successor Trustee by an instrument in writing. The Trustee will not be relieved of its duties until such successor Trustee has accepted appointment, other than pursuant to court order.

Successor Trustee. There will at all times be a trustee under the Indenture, which will be a corporation, banking association or trust company, in each case having trust powers, doing business and having a principal corporate trust office in Texas and will (1) either (i) have a combined capital and surplus of at least \$50,000,000 and be subject to supervision or examination by federal or state authority or (ii) be a wholly-owned subsidiary of a bank, trust company or bank holding company meeting on an aggregate basis the tests set out in clause (i) and (2) be able to comply with the terms and conditions of the Indenture and to comply with the terms of the Loan Agreement applicable thereto.

Modification of the Indenture

With Consent of Bondholders. The Indenture and the rights and obligations of the Issuer and of the Bondholders and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Issuer and the Trustee may enter into when the written consent of the Owners of 51% in aggregate principal amount of all Bonds then Outstanding, and the Bank, have been filed with the Trustee. No such modification or amendment will (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of each of the Bondholders so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Bondholders of which is required to effect any such modification or amendment, or (3) permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Bondholders of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It will not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it will be sufficient if such consent will approve the substance thereof. Promptly after the execution by the Issuer and the Trustee of any Supplemental Indenture as described in this paragraph, the Trustee will mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each Rating Agency then rating the Bonds, the Borrower and the Bondholders at the address shown on the registration books of the Trustee. Any failure to give such notice, or any defect therein will not, however, in any way impair or affect the validity of any such Supplemental Indenture.

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Without Consent of Bondholders. The Indenture and the rights and obligations of the Issuer, the Trustee and the Bondholders may also be modified or amended from time to time and at any time, with the prior written consent of the Bank (except with respect to paragraph (5) below, for which no consent is necessary), by an indenture or indentures supplemental hereto, which the Issuer and the Trustee may enter into without the consent of any Bondholders, but only to the extent permitted by law, including, without limitation, for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Issuer in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Issuer;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Issuer may deem necessary or desirable and not inconsistent with the Indenture;

(c) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute at the time in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(d) to conform to the terms and provisions of any Alternate Letter of Credit or to obtain a rating on the Bonds;

(e) to preserve the status of the interest on the Bonds as excludable from the gross income for federal income tax purposes; or

(f) to modify, alter, amend or supplement the Indenture in any other respect, including amendments that would otherwise be described in paragraph (a) above, (1) if such amendment will take effect on a Purchase Date following the purchase of all Outstanding 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 30 days before the effective date thereof and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to the Indenture.

Defeasance

The Bonds may be paid by the Issuer in any of the following ways, provided that the Issuer also pays or causes to be paid any other sums payable under the Indenture by the Issuer:

(a) by paying or causing to be paid with Available Moneys the principal of, interest and premium, if any, on the Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem with Available Moneys all Bonds then Outstanding; or

(c) by delivering to the Trustee, for cancellation by it, the Bonds then Outstanding.

If the Issuer will also pay or cause to be paid all other sums payable under the Indenture by the Issuer, and if, after payment of all amounts due to the Issuer and the Trustee under the Indenture, the Trustee has transferred any moneys remaining in any funds or accounts (other than the Rebate Fund or moneys held for particular Bondholders) to the Bank to the extent of amounts owed to the Bank in accordance with the Reimbursement Agreement, then and in that case, at the election of the Issuer (evidenced by a written certificate of the Issuer, filed with the Trustee, signifying the intention of the Issuer to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds have not been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Issuer under the Indenture will cease, terminate, become void and be completely discharged and satisfied except only as provided in the Indenture. In such event, upon written request of the Issuer, the Trustee will cause an accounting for such period or periods as may be requested by the Issuer to be prepared and filed with the Issuer and will execute and deliver to the Issuer all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over, transfer, assign or deliver to the Borrower all moneys or securities or other property held by it pursuant to the Indenture which are (i) not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption or (ii) amounts owed to the Bank in accordance with the Reimbursement Agreement.

For purposes of the provisions under this heading, the Bonds will be assumed to bear interest at the Maximum Rate during any period during which the Bonds bear interest at the Weekly Interest Rate.

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APPENDIX D
SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a brief summary of certain provisions of the Loan Agreement. The summary does not purport to be complete or definitive and reference is made to the full text of the Loan Agreement for a complete recital of its terms, a copy of which is on file with the Trustee.

Loan of Bond Proceeds

The Issuer has agreed, in accordance with the terms of the Loan Agreement and satisfaction of the conditions described below, to make the Loan to the Borrower in an amount equal to the aggregate principal amount of the Bonds, for the purpose of financing the Development. Pursuant to said covenant and agreement, the Issuer will issue the Bonds in accordance with the terms and conditions contained in the Loan Agreement and the Indenture and will cause the proceeds of the Bonds to be applied by the Trustee as provided in Indenture; provided that no moneys will be disbursed from the Project Fund until the following conditions have been met:

(a) The Borrower will have provided to the Trustee one or more requisitions in the form attached to the Indenture for payment of the Development Costs of the Development from moneys on deposit in the Project Fund pursuant to the Indenture.

(b) The Trustee will have been provided with a title insurance binder or an unconditional binding commitment to issue a title insurance policy acceptable to the Issuer and the Bank.

(c) For the purpose of establishing that any instrument required to be recorded has been so recorded, the Trustee is authorized to rely conclusively on the oral or written advice of the title company to which any such instrument has been delivered for recording.

Loan Repayment and Payment of Other Amounts

The Borrower has acknowledged its indebtedness to the Issuer under the Loan Agreement and has agreed to repay, or cause to have repaid, the Loan in the amounts and at the times necessary to enable the Trustee, on behalf of the Issuer, to pay when due all principal, interest and premium, if any, payable with respect to the Bonds when due, whether at maturity or by redemption or acceleration or otherwise, and to make the principal payments in the amounts and at the times set forth on the Principal Reserve Schedule and the Sinking Fund Schedule, if any, as applicable. The Issuer has agreed that the Borrower's repayment obligations under the Loan Agreement will be reduced from time to time by any amounts drawn under the Letter of Credit. The Borrower has agreed to cause the Letter of Credit to be delivered to the Trustee in accordance with the terms of the Reimbursement Agreement and the Loan Agreement.

The Borrower has agreed to pay or cause to be paid the Issuer's Fee, and all reasonable out-of-pocket expenses of the Issuer related to the Development and the financing thereof which are not paid from the Cost of Issuance Fund, including, without limitation, legal fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Development or the Bonds. Each monthly payment will be in an amount equal to the aggregate of the Issuer's Fee prorated monthly so that the Trustee will have the full amount of each fee available in the Administrative Expense Fund to pay the Issuer's Fee and each of the other Fees and Expenses as they fall due without regard to whether any such fee is payable monthly, annually or on any other periodic basis.

The Borrower also agreed to pay or cause to be paid the Trustee's Fee and the Tender Agent Fee, and to reimburse each of the Trustee, the Tender Agent, the Registrar and the Paying Agent upon its

respective request for all reasonable expenses, disbursements and advances (including reasonable counsel fees) incurred or made by the Trustee, the Tender Agent, the Dissemination Agent, the Registrar and the Paying Agent in accordance with any provision of the Indenture or other agreements to which the Trustee, the Tender Agent, the Dissemination Agent, the Registrar and the Paying Agent, respectively, is a party or pursuant to which it is obligated to act (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its gross negligence or willful misconduct;

The Borrower also agreed to pay or cause to be paid:

- (a) the annual rating maintenance fee of the Rating Agency;
- (b) the Rebate Requirement and any fees and other costs required to be incurred in connection with the calculation of the Rebate Requirement and otherwise in order to comply with the Tax Certificate and the provisions of the Indenture relating to arbitrage rebate;
- (c) 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;
- (d) all fees, costs and expenses of any change in the interest rate mode or of any tender, purchase, 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; and
- (e) the fees and expenses of the Remarketing Agent, as set forth in the Remarketing Agreement; and
- (f) the Asset Oversight Agent's Fee.

Deposits to the Replacement Reserve Fund

Commencing on the earlier of May 15, 2009 and the 15th day of the month following the Stabilization Date (as such term is defined in the Reimbursement Agreement), the Borrower will pay an amount equal to the Replacement Reserve Fund Requirement directly to the Trustee for deposit into the Replacement Reserve Fund.

Deposits to the Tax and Insurance Escrow Fund

Commencing on the 15th day of the calendar month following the second anniversary of the Closing Date, the Borrower will pay monthly to the Trustee for deposit into the Tax and Insurance Escrow Fund an amount equal to a prorated portion of:

- (a) the premiums for required property insurance due on each premium payment date following the second anniversary of the Closing Date, the amount of each such monthly payment to be determined by the Bank, by multiplying such insurance premium by a fraction, the numerator of which is one and the denominator of which is the number of monthly payments due prior to the next payment date of such insurance premium; provided, however, that the last monthly payment of such payment period will be adjusted to be an amount which, when added to all previous monthly payments made during such payment period, will be sufficient to pay the actual insurance premium due, and provided, further, that the Bank using its reasonable discretion, may direct an alternative payment schedule; and

(b) the annual real estate taxes for the Development to come due in each year following the second anniversary of the Closing Date, the amount of each such monthly payment to be determined by the Bank, by multiplying the prior year's tax bill by a fraction, the numerator of which is one and the denominator of which is the number of monthly payments due prior to the next payment date (assuming payment at the time required to secure the lowest possible payment) of the annual real estate taxes for the Development; provided, however, that the last monthly payment of each payment period will be adjusted to be an amount which, when added to all previous monthly payments made during such payment period, will be sufficient to pay the actual real estate taxes due, and provided, further, that the Bank may direct an alternative payment schedule.

Unconditional Obligation

The obligations of the Borrower to make the payments required by the Loan Agreement and to perform and observe the other agreements on its part contained in the Loan Agreement will be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Issuer or the Trustee, and during the term of the Loan Agreement, the Borrower is required to pay absolutely the payments required under the Loan Agreement, free of any deductions and without abatement, diminution or set-off. Until such time as the principal of, premium, if any, and interest on the Bonds have been fully paid, or provision for the payment thereof has been made as required by the Indenture, the Borrower (a) will not suspend or discontinue any payments described in "Loan Repayment and Payment of Other Amounts" above; (b) will perform and observe all of its other covenants contained in the Loan Agreement; and (c) except as provided in the Loan Agreement, will not terminate the Loan Agreement for any cause, including, without limitation, the occurrence of any act or circumstances that may constitute failure of consideration, destruction of or damage to the Development, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision or either of these, or any failure of the Issuer or the Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with the Loan Agreement or the Indenture, except to the extent permitted by the Loan Agreement or the Indenture.

Assignment of Issuer's Rights

As security for the payment of the Bonds, the Issuer in the Indenture assigns to the Trustee all of the Issuer's rights under the Loan Agreement (except for the Reserved Rights), including the right to receive payments under the Loan Agreement, and the Issuer has directed the Borrower to make the payments required under the Loan Agreement (except such payments for the Issuer's fees and the Issuer's expenses and indemnification) directly to the Trustee. The Borrower has assented to such assignment and agrees to make payments directly to the Trustee without defense or set-off by reason of any dispute between the Borrower and the Issuer or the Trustee. By virtue of such assignment, the Trustee will have the right to enforce the obligations of the Borrower to the Issuer under the Loan Agreement other than the Reserved Rights.

Non-Recourse Obligation of Borrower

The Borrower and its general partner will only be liable upon the indebtedness evidenced by the Loan Agreement, or sums or amounts to accrue or to become payable under the Loan Agreement or under the Mortgage or either of them, to the extent of the security granted under the Loan Agreement, under the Mortgage or under the Indenture. If default occurs in the timely and prompt payment of all or any part of said indebtedness, sums or amounts, any judicial proceedings or enforcement of the remedies under the Loan Agreement and the Mortgage against the Borrower and its partners will be limited to the preservation, enforcement and foreclosure or any thereof, of the liens, estates, assignments, titles, rights

and security interests now or at any time hereafter acquired in such security and no judgment, attachment, execution or other writ of process will be sought, issued or levied upon the assets, property or funds of the Borrower or its partners other than the properties, rights, estates and interests of the Borrower as are identified as security in the Loan Agreement, in the Mortgage or in the Indenture. In the event of a foreclosure or other disposition as provided for in the Mortgage or the Indenture of such liens, estates, assignments, titles, rights and security interests, whether by judicial proceedings or the exercise of the power of sale, no judgment for the deficiency of such indebtedness, sums and amounts will be sought or obtained against the Borrower and/or its partners. The Mortgage will have no force and effect until recorded and filed in the real property records of Kendall County, Texas.

Special Covenants

Maintenance of Existence. The Borrower has agreed that during the term of the Loan Agreement it will remain in good standing and qualified to do business in the State, it will maintain its existence, it will not dissolve or otherwise dispose of all or substantially all of its assets and it will not combine or consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it; provided, however, that, subject to the Regulatory Agreement, the Borrower may combine, consolidate with, or merge into another entity existing under the laws of one of the states of the United States, or permit one or more other entities to consolidate with or merge into it, or sell or otherwise transfer to another entity all or substantially all of its assets as an entirety and thereafter dissolve, provided that the surviving, resulting or transferee entity, as the case may be, (a) assumes and agrees in writing to pay and perform all of the obligations of the Borrower under the Loan Agreement and (b) qualifies to do business in the State if such qualification is legally required; and provided further that Borrower has obtained the written approval of the Bank.

Insurance; Maintenance and Repair. The Borrower has agreed to insure the Development or cause the Development to be insured during the term of the Loan Agreement for such amounts and for such occurrences as are required under the Mortgage. The Borrower will maintain the Development, or cause the Development to be maintained, during the term of the Loan Agreement in safe repair and in such operating condition as is needed for its operation and to maintain all Units in the Development in habitable condition, ordinary wear and tear excepted.

Tax Exempt Status of the Bonds. The Borrower has covenanted that it will not take or omit to take any action that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

Letter of Credit. The Borrower has covenanted to provide and make continuously available to the Trustee the Letter of Credit or an Alternate Letter of Credit throughout the term of the Loan Agreement. The Alternate Letter of Credit must be for a term commencing not later than the expiration of the prior Letter of Credit.

Default and Remedies

Loan Default Event. Each of the following which occurs and continues is a Loan Default Event:

(a) failure by the Borrower to pay any amounts required to be paid under the Loan Agreement at the times specified therein;

(b) failure by the Borrower to observe and perform any other covenant, condition or agreement on its part required to be observed or performed under the Loan Agreement, which continues for a period of 30 days after written notice specifying such failure and requesting that it

be remedied, given to the Borrower and the Bank by the Issuer or the Trustee, unless the Issuer and the Trustee, with the consent of the Bank, agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within such period, but is correctable, the Issuer and the Trustee may not unreasonably withhold their consent to an extension of such time if corrective action is instituted within such period and diligently pursued until the default is corrected;

(c) the making of any representation or warranty by the Borrower in the Loan Agreement or in any document executed in connection with the Loan Agreement which is false or misleading in any material respect when made;

(d) the occurrence of any event which is an event of default under the Reimbursement Agreement, and receipt by the Trustee from the Bank of written notice of such default and a request that it be treated as a Loan Default Event, or receipt by the Trustee of a written notice of nonreinstatement of the interest amount of the Letter of Credit from the Credit Bank; or

(e) an Act of Bankruptcy.

Remedies. The Loan Agreement provides that the Issuer or the Trustee may take any one or more of the following remedial steps, after giving notice to the Credit Bank, the Bank and the limited partner of the Borrower and subject to the right of the Credit Bank and the Bank to cure any such default, provided, however, that neither the Credit Bank nor the Bank are obligated to cure any default, whenever an Event of Default has occurred and is continuing:

(a) Subject to the Intercreditor Agreement, the Trustee, at the request or with the consent of the Credit Bank or the Bank, by written notice to the Borrower (with a copy to the Credit Bank and the Bank), will immediately declare the unpaid balance of the Loan to be immediately due and payable.

(b) The Issuer and the Trustee may have access to and may inspect, examine and make copies of the books and records and any and all accounts, data and federal income tax and other tax returns of the Borrower.

(c) Subject to the Intercreditor Agreement, the Issuer or the Trustee, after notice to the Credit Bank and the Bank, may take whatever action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Loan Agreement.

(d) Subject to the Intercreditor Agreement, the Trustee may, after notice to the Credit Bank and the Bank, institute any action or proceeding at law or in equity for the collection of any sums due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Borrower and collect in the manner provided by law the moneys adjudged or decreed to be payable; provided that, notwithstanding anything to the contrary in the Loan Agreement or in the Intercreditor Agreement, the Trustee and the Issuer may institute any action or proceeding at law, or in equity for the collection of its fees, expenses and indemnification.

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APPENDIX E
SUMMARY OF CERTAIN PROVISIONS OF THE
REGULATORY AGREEMENT

The following is a brief summary of certain provisions of the Regulatory Agreement. The summary does not purport to be complete or definitive and reference is made to the full text of the Regulatory Agreement for a complete recital of its terms, a copy of which is on file with the Trustee.

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

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

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

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

(iii) that 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 and other facilities that are reasonably required for the Development;

(iv) that each Unit 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;

(v) that each Unit 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 Loan Agreement) at all times during the Qualified Project Period (unless occupied by or reserved for a resident manager, security personnel or maintenance personnel that are functionally related and subordinate to and reasonably required for the Development), that the Borrower will not give preference in renting Units to any particular class or group of persons, other than to Seniors, Persons with Special Needs 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;

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

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

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

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

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

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

Housing Development During the State Restrictive Period

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

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

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

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

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

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

(e) the Borrower will expend at least \$4 per unit per month on tenant supportive services to be provided to tenants of the Development listed in an exhibit to the Regulatory Agreement; and

(f) to assure that 100% of the occupied Units (except for Units occupied by a resident manager and maintenance and security personnel that are reasonably required for the Development) in the Development are occupied by at least one Senior.

Persons With Special Needs

The Borrower has represented, covenanted and warranted that (a) at least five percent of the Development has 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 five percent of the Units within the Development available for occupancy by Persons with Special Needs, (ii) make reasonable accommodations for such persons, and (iii) allow reasonable modifications, at the tenant's sole expense (including the cost of removing the modifications and restoring the related Unit at the end of the tenant's occupancy) pursuant to the Housing Act. During the State Restrictive Period, the Borrower shall maintain written policies regarding the Borrower's outreach program and marketing program to Persons with Special Needs.

Sale or Transfer of the Development or Change in General Partner

The Borrower has covenanted and agreed not to sell, transfer or otherwise dispose of the Development, prior to the expiration of the Qualified Project Period (other than pursuant to the lease of Units to Eligible Tenants), without (a) complying with any applicable provisions of the Regulatory Agreement, the Loan Agreement and the other Loan Documents and (b) obtaining the prior written consent of the Issuer. Such consent of the Issuer will not be unreasonably withheld and will be given if certain conditions to the sale or other disposition set forth in the Regulatory Agreement are met or waived in writing by the Issuer. Except as provided in the Regulatory Agreement, the Borrower may not change its general partner by transfer, sale or otherwise without the prior written consent of the Issuer.

Term

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

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

Default; Enforcement by the Trustee and the Issuer

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

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

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

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

(c) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenant and agreements of the Borrower under the Regulatory Agreement.

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

**Enforcement of Certain Provisions
by Tenants and Other Private Parties**

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

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

Amendments

Subject to the provisions of the Regulatory Agreement, the Regulatory Agreement will be amended only by a written instrument executed by the parties thereto, or their successors in title, and duly recorded in the real property records of Johnson County, Texas, and only upon receipt by the Issuer of an opinion from Bond Counsel that such amendment will not adversely affect the exclusion from gross income of interest 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), and is not contrary to the provisions of the Act.

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APPENDIX F
SUMMARY OF CERTAIN PROVISIONS OF THE
REIMBURSEMENT AGREEMENT

The following is a brief summary of certain provisions of the Reimbursement Agreement. The summary does not purport to be complete or definitive, and is qualified in its entirety by reference to the Reimbursement Agreement, a copy of which is on file with the Trustee. Capitalized terms used in the sections which appear under this caption and which are not otherwise defined are used herein with the meanings given them in the Reimbursement Agreement.

The Borrower and the Bank have executed, or will execute, on or prior to the Closing Date, a Reimbursement Agreement, dated as of April 1, 2007, which inter alia, sets the terms and conditions whereby the Borrower is required to repay the Bank any amounts drawn by the Trustee under the Letter of Credit and grants the Bank security interests in the Development. Pursuant to the Indenture, the Trustee may not make a disbursement from the Project Fund without obtaining the consent of the Bank to such disbursement. The Reimbursement Agreement sets forth the conditions under which the Bank will give its consent to such disbursement. Among such conditions are (i) compliance with plans and specifications approved by the Bank, (ii) compliance with a budget approved from time to time by the Bank, (iii) no Event of Default under the Reimbursement Agreement will have occurred which has not been waived in writing by the Bank or cured, and (iv) delivery of certain invoices, receipts and other documents by suppliers of labor and materials to the Development.

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 or the Development complies with plans, specifications, budgets or other project-related documents.

Pursuant to the Reimbursement Agreement, the Bank has caused the Credit Bank to issue the Letter of Credit. The Borrower agrees to reimburse the Bank for any payments made by the Credit Bank to the Trustee on behalf of the Bondholders under the Letter of Credit.

The Bank has agreed to cause the Credit Bank to extend the April 26, 2010 expiration date of the Letter of Credit (the "Initial Expiration Date") and each subsequent Extended Expiration Date (as hereinafter defined) (except for the Final Expiration Date (as hereinafter defined), which will not be extended) provided each of the following conditions is fully satisfied in the reasonable discretion of the Bank: (i) no "Event of Default" (as hereinafter defined) or "Potential Default" (as such term is defined in the Reimbursement Agreement) exist on the effective date of the extension; (ii) as to the first Extended Expiration Date, the Project will have achieved Stabilization as provided in the Reimbursement Agreement; (iii) no legislation, rule, order or decree, regulation, order or decree has been enacted, promulgated or entered subsequent to the date of the Reimbursement Agreement which prohibits such extension; and (iv) upon the request of the Bank, the Bank, at the Bank's expense, will receive an opinion of Bond Counsel addressed to the Bank with respect to the amendment to the Letter of Credit by which the Initial Expiration Date (or applicable Extended Expiration Date) is extended that such amendment, in and of itself, will not adversely affect the tax-exempt status of interest on the Bonds. "Extended Expiration Dates", collectively, and "Extended Expiration Date", individually, means the following three successive five year extension dates of the Initial Expiration Date of the Letter of Credit, to wit: (i) April 26, 2015; (ii) April 26, 2020; and (iii) April 26, 2025. "Final Expiration Date" means April 26, 2025.

In the event that one or more of the foregoing conditions are not satisfied or waived by the Bank, the Bank shall have the right, in lieu of extension of the Letter of Credit, to purchase the Bonds in lieu of redemption as provided in the Indenture. Any such purchase in the absence of an Event of Default under the Reimbursement Agreement will be for the Bank's own account and, at the Bank's option, may be

accomplished by either direct payment of the Bank's separate funds or by a drawing on the Letter of Credit.

The obligations of the Borrower under the Reimbursement Agreement are secured by liens in favor of the Bank upon the Development and related tangible and intangible personal property and a security interest in certain rights of the general partners of the Borrower. Among the liens in favor of the Bank that secure obligations of the Borrower under the Reimbursement Agreement is a second priority mortgage, security agreement and fixture filing on the Development (the "Second Mortgage"). The Second Mortgage contains an absolute assignment of rents from the Development. 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.

The occurrence of any one or more of the following, among other things, will constitute an "Event of Default" under the Reimbursement Agreement:

(a) Failure by the Borrower (i) to make, or cause to be made, when due and payable or required, any payment or deposit of interest or principal required to be made under the Reimbursement Agreement, or (ii) as and when required under the terms of the Reimbursement Agreement, to reimburse the Bank in respect of any drawing under the Letter of Credit or to make any payment under any Hedge (as such term is defined in the Reimbursement Agreement) when due.

(b) Failure by the Borrower or the General Partner to pay or deposit any amount (other than an amount described in subparagraph (a) above) when due under any Letter of Credit Document (as such term is defined in the Reimbursement Agreement), and the expiration of five Business Days after written notice of such failure by the Bank to the Borrower.

(c) Failure by the Borrower (i) to perform any obligation other than (A) one involving the payment of money or (B) any other obligation that is expressly addressed in another subsection of the section of the Reimbursement Agreement that defines Events of Default, or (ii) to comply with any other term or condition (other than one that is expressly addressed in another subsection of such Event of Default section) applicable to the Borrower under any Letter of Credit Document, and the expiration of 30 days after written notice of such failure by the Bank to the Borrower (or such longer period as the Bank may approve in writing in its sole and absolute discretion if such failure cannot reasonably be cured within such 30 day period and if the Borrower commences to cure the failure within 10 Business Days after receipt of notice of such failure from the Bank, and at all times diligently pursues the cure to completion).

(d) Any representation or warranty by the Borrower or the General Partner (i) contained in the Reimbursement Agreement or any of the other Letter of Credit Documents (as such term is defined in the Reimbursement Agreement), (ii) contained in any certificate delivered in connection with the Letter of Credit Documents, or (iii) made in writing to the Bank concerning the financial condition or creditworthiness of the Borrower or the General Partner, will prove to have been false or misleading in any material respect when made.

(e) A Determination of Taxability will occur.

(f) An "Event of Default" or "Default" (as defined in the applicable agreement) will occur under any of the Security Documents (as such term is defined in the Reimbursement Agreement), any of the Issuer Security Documents (as such term is defined in the Reimbursement Agreement), the Indenture, the Loan Agreement, or the Regulatory Agreement or if any portion of the Borrower Deferred Equity (as such term is defined in the Reimbursement Agreement) to be made by the Tax Credit Limited Partner and required for (i) completion of the Improvements (as such term is defined in the Reimbursement Agreement), (ii) the satisfaction of the conditions of Stabilization (as such term is defined in the

Reimbursement Agreement) or (iii) the operation of the Improvements, is not received in accordance with the Partnership Agreement after the expiration of all applicable notice and cure periods.

(g) The Borrower or the General Partner becomes insolvent.

(h) The Borrower or the General Partner (i) is unable or admits in writing its inability to pay its monetary obligations as they become due, (ii) makes a general assignment for the benefit of creditors, or (iii) applies for, consents to or acquiesces in the appointment of, a trustee, receiver or other custodian for itself or its property or any material part thereof, or in the absence of such application, consent or acquiescence, a trustee, receiver or other custodian is appointed for the Borrower or the General Partner, or the property of such Person, or any material part thereof, and such appointment is not discharged within 90 days.

(i) Commencement of any case under the Bankruptcy Code, Title 11 of the United States Code, or commencement of any other bankruptcy, arrangement, reorganization, receivership, custodianship or similar proceeding under any federal, state or foreign law ("Insolvency Proceeding") by or against the Borrower or the General Partner; provided that if any such case or other bankruptcy, arrangement, reorganization, receivership, custodianship or similar proceeding is commenced against any such Person, such case or other bankruptcy, arrangement, reorganization, receivership, custodianship or similar proceeding is not dismissed within 90 days after its commencement.

(j) The dissolution or liquidation of the Borrower or the General Partner, except for an administrative dissolution which is reinstated within 60 days after such dissolution.

(k) Commencement of any action or proceeding which seeks as one of its remedies the dissolution of the Borrower or the General Partner, if such action or proceeding is not dismissed within 30 days after its commencement.

(l) All or any material part of the property of the Borrower is attached, levied upon or otherwise seized by legal process, and such attachment, levy or seizure is not quashed, stayed or released within 10 days of the date thereof prior to completion of Improvements, or within 30 days of the date therefor thereafter.

(m) The Borrower fails to perform or observe any term, covenant or condition contained in the Reimbursement Agreement relating to the maintenance of insurance, the protections of liens of the Mortgage and the Second Mortgage, or the disposition of insurance and condemnation proceeds.

(n) Except as otherwise permitted under the Reimbursement Agreement, the occurrence of any Transfer (as such term is defined in the Reimbursement Agreement), unless (i) prior to such Transfer the Bank has delivered to the Borrower the written consent of the Bank to such Transfer or (ii) such Transfer relates to the execution and delivery and exercise of a purchase option and right of first refusal after the 15-year tax credit compliance period and the Borrower receives the written consent of the Bank, which consent will not be unreasonably withheld.

(o) Except as the partnership agreement of the Borrower may be amended without the Bank's consent as provided in the Reimbursement Agreement, should any of the Related Documents be amended, or any material term thereof waived, without the Bank's prior written consent.

(p) Construction of the Improvements is abandoned or halted prior to completion for any period of 20 consecutive days for any cause other than as specified in the Reimbursement Agreement.

(q) Failure by the Borrower to achieve Stabilization on or before the date set forth in the Reimbursement Agreement.

(r) Should a default on the part of the Borrower under the Hedge occur and not be cured in the manner provided therein, resulting in a termination of such Hedge by the Hedge Provider, unless (i) the Letter of Credit has been released without an unreimbursed drawing thereunder or (ii) the Borrower has, within 30 days after such termination, entered into a replacement Hedge with a counterparty reasonably acceptable to the Bank (which may be the Hedge Provider), providing for a fixed rate not greater than the fixed rate provided under the existing Hedge.

Upon the occurrence of an Event of Default under the Reimbursement Agreement, the Bank may elect to do any or all of the following:

(a) The Bank will have the right to cure any default under any of the Related Documents, but will have no obligation to do so.

(b) Upon the occurrence of an Event of Default under the Reimbursement Agreement, the Bank may at its sole option (but will have no obligation to) purchase in lieu of redemption, in accordance with the Indenture, all of the outstanding Bonds, other than the Pledged Bonds. Upon such purchase by the Bank, the Bank will have the right to cause the Remarketing Agent to remarket such Bonds. Upon any such purchase in lieu of redemption by the Bank, the Borrower will immediately, upon written demand by the Bank, reimburse the Bank for the full amount of any drawing under the Letter of Credit made by the Trustee to effectuate such purchase in lieu of redemption, and such amount so drawn under the Letter of Credit will immediately become due and payable under the Reimbursement Agreement by the Borrower to the Bank without presentment, further demand, protest or other requirement of any kind, all of which are expressly waived by the Borrower. The Borrower will immediately deposit the amount so demanded by the Bank into the Project Account, and, following any such deposit, the Bank may debit such deposit from the Project Account in order to reimburse itself for such drawing under the Letter of Credit.

(c) Upon the occurrence of any Event of Default under the Reimbursement Agreement, the Bank will have the right to cause an independent contractor selected by the Bank to enter into possession of the Development and to perform any and all work and labor necessary for the completion of the construction or rehabilitation of the Development substantially in accordance with the Plans and Specifications (as such term is defined in the Reimbursement Agreement), if any, and to perform the Borrower's obligations under Reimbursement Agreement. All sums expended by the Bank for such purposes will be deemed to have been disbursed to and borrowed by the Borrower and will be secured by the Security Documents.

All remedies of the Bank provided for in the Reimbursement Agreement are cumulative and will be in addition to any and all other rights and remedies available under the other Letter of Credit Documents or any other document or by law or equity. No exercise by the Bank of any right or remedy will in any way constitute a cure or waiver of any Event of Default under the Reimbursement Agreement, or invalidate any act done pursuant to any notice of default, or prejudice the Bank in the exercise of any other right or remedy available to the Bank. No failure on the part of the Bank to exercise, and no delay in exercising, any right or remedy will operate as a waiver or otherwise preclude enforcement of any of its rights and remedies, nor will any single or partial exercise of any right or remedy preclude any further exercise thereof or of any other right or remedy. The Bank need not resort to any particular right or remedy before exercising or enforcing any other.

The Bank and the Borrower may agree at any time to alter, modify or amend the terms of the Reimbursement Agreement or the other Letter of Credit Documents, including the events which constitute "Events of Default" listed therein, without notice to or consent of any Bondholder, the Issuer or the Trustee. Furthermore, the Bank may unilaterally waive any Event of Default which may occur under the Reimbursement Agreement, without notice to or consent of any other person. Accordingly, there should be no expectation on the part of any Bondholder that the occurrence of an Event of Default under the Reimbursement Agreement will necessarily result in implementation of remedies by the Bank or in the call of any or all of the Bonds for redemption, mandatory tender or acceleration under the Indenture.

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**APPENDIX G
FORM OF LETTER OF CREDIT**

SPECIMEN DIRECT PAY LETTER OF CREDIT

[CITIBANK, N.A., LETTERHEAD]

IRREVOCABLE LETTER OF CREDIT

LETTER OF CREDIT NUMBER: [LOC #]

DATE: _____, 2007

Wells Fargo Bank, National Association,
as Trustee (the "Trustee" or "Beneficiary")
MAC T5017-241
1021 Main Street, Suite 2403
Houston, Texas 77002
Attention: Corporate Trust Department

Ladies and Gentlemen:

At the request and for the account of Citicorp USA, Inc., with respect to its customer, Boerne Terraces at Cibolo Apartments, L.P., a Texas limited partnership (the "Borrower"), we, Citibank, N.A. (the "Bank") hereby establish this irrevocable direct-pay letter of credit (the "Letter of Credit") in the amount of \$8,092,100.00 (the "Initial Stated Amount;" and, as the same may from time to time be reduced and thereafter reinstated as hereinafter provided, the "Stated Amount"), consisting of (i) the amount of \$8,000,000.00 (as reduced and thereafter reinstated from time to time as hereinafter provided, the "Principal Component"), which may be drawn upon with respect to payment of the unpaid principal amount of, or portion of, the purchase price corresponding to the principal of the Bonds (as hereinafter defined), as certified to the Bank by the Trustee, and (ii) the amount of \$92,100.00 (as reduced and thereafter reinstated from time to time as hereinafter provided, the "Interest Component"), which may be drawn upon with respect to the payment of up to 35 days' accrued interest on the Bonds or portion of the purchase price representing accrued interest on the Bonds, in each case assuming a maximum interest rate of 12% per annum and computed on the basis of the actual number of days elapsed over a year of 365 or 366 days (the "Maximum Rate"), as such components are certified to the Bank by you as Trustee under that certain Indenture of Trust, dated as of April 1, 2007 (the "Indenture"), by and between you, as Trustee, and the Texas Department of Housing and Community Affairs (the "Issuer"), pursuant to which the Issuer has issued its \$8,000,000.00 Multifamily Housing Revenue Bonds (Terraces at Cibolo) Series 2007 (the "Bonds"). This Letter of Credit is effective immediately and expires with the close of our business at the office of our Servicer, Citicorp North America, Inc. (the "Servicer"), located at 3800 Citigroup Center, Building B, 3rd Floor, Tampa, Florida 33610 on the expiration date described below.

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

1. Annex A (Interest Drawing With Reinstatement Request). If you are demanding funds with respect to a scheduled interest payment on the Bonds, and such amount is to be reinstated immediately following the Drawing, your draft or drafts should be accompanied by your Annex A certification.

2. Annex B (Redemption Drawing Without Reinstatement Request). If you are demanding funds with respect to the payment of principal and interest on Bonds in connection with a partial redemption of Bonds in accordance with the Indenture, which amount is not to be reinstated following the Drawing, your draft or drafts should be accompanied by your Annex B certification.

3. Annex C (Liquidity Drawing). If you are demanding funds with respect to the payment of the Purchase Price (as defined in the Indenture) on the Bonds in connection with a purchase of Bonds in accordance with the Indenture (a "Liquidity Drawing"), your draft or drafts should be accompanied by your Annex C certification.

4. Annex D (Final Drawing). Any draft constituting your final Drawing under this Letter of Credit must be accompanied by your Annex D certification. Only one draft accompanied by an Annex D certification may be presented for payment against this Letter of Credit; upon any such presentation, no further draft may be drawn and presented hereunder.

With respect to each Drawing, other than a Liquidity Drawing, for which the Servicer has received a draft as described above, your remittance instructions and one or more of the Annexes described above, other than Annex C, prior to 10:00 a.m., Tampa, Florida time, on a Business Day (as defined below), we will make payment in immediately available funds by 12:00 noon, Tampa, Florida time, on the following Business Day. If the Servicer has received such items after 10:00 a.m., Tampa, Florida time, on a Business Day, the Bank will make payment in immediately available funds by 12:00 noon, Tampa, Florida time, on the second Business Day thereafter. In the case of a Liquidity Drawing, where the Servicer has received a draft as described above, your remittance instructions and the Annex C certification prior to 10:00 a.m., Tampa, Florida time, on a Business Day, the Bank will make payment in immediately available funds by 2:45 p.m., Tampa, Florida time, on the same Business Day. If the Servicer receives such items after 10:00 a.m., Tampa, Florida time, on a Business Day, the Bank will make payment in immediately available funds by 12:00 noon, Tampa, Florida time, on the following Business Day.

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

In addition, upon receipt by the Servicer of a certificate in the form of Annex G attached hereto from you following a Liquidity Drawing, the principal and/or interest components of the Stated Amount shall be automatically reinstated in the amounts that have been paid to the Bank as shown on such Annex G.

Each draft presented for payment against this Letter of Credit and each accompanying certification must be dated the date of its execution, and may be presented only on a Business Day. As used in this Letter of Credit, "Business Day" shall mean any day other than a Saturday, Sunday, legal holiday or a day on which banking institutions in New York, New York are authorized or required to

close. Drafts must be marked conspicuously "Drawn under Citibank, N.A. Irrevocable Letter of Credit No. [LOC #]." Your draft(s) and accompanying certification(s), on your letterhead purportedly signed by one of your officers, should be submitted by either (i) courier or registered mail to the Servicer at the address specified below; or (ii) via telefax to the attention of "Standby Unit" at facsimile telephone number (813) 604-7187 under telephone confirmation to telephone number (813) 604 7141 or (813) 604 7095. However, our receipt of such telephone confirmation or original drawing documents will not be a condition for payment(s) hereunder.

For drawings hereunder and communications with respect to this Letter of Credit shall be addressed to the Servicer at Citibank, N.A., c/o Citicorp North America, Inc., 3800 Citigroup Center, Tampa, Florida 33610, Attention: Standby Unit, Building B, 3rd Floor.

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

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

This Letter of Credit shall expire on the earliest of (i) April 26, 2010 (the "Expiration Date"), (ii) when any draft accompanied by your certification in the form of Annex D to this Letter of Credit is honored and paid by the Bank, (iii) the day on which the original of this Letter of Credit is surrendered by the Trustee to the Bank, accompanied by a certificate in the form of Annex F to this Letter of Credit, (iv) two Business Days following the first day of the first Term Interest Rate Period under the Indenture (the "Term Interest Rate Date") as certified by you in the form of Annex I to this Letter of Credit submitted by you to the Servicer, or (v) the date specified as the expiry date in paragraph 4 of a Notice of Event of Default under Reimbursement Agreement from Citicorp USA, Inc. (the "Lender"), in the form of Annex H to this Letter of Credit, addressed to you with a copy sent to the Servicer.

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

This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Bonds), except only the Annexes, draft(s) referred to herein and the ISP98 mentioned below; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such Annexes, draft(s) and ISP98.

This Letter of Credit is transferable any number of times, but only in the amount of the full unutilized balance hereof and not in part. Transfer shall be effected against the presentation to the Servicer of (a) this Letter of Credit accompanied by (b) a Transfer Request purportedly signed by one of your officers, in the form of Annex E attached hereto and (c) payment of a transfer fee of \$1,000.00. Upon presentation and payment, we shall effect a transfer of this Letter of Credit to your designated transferee.

This Letter of Credit shall be governed by and construed in accordance with the International Standby Practice International Chamber of Commerce Publication 590 (the "ISP98"), and, as to matters not addressed by the ISP98, shall be governed and construed in accordance with the laws of the State of New York and applicable United States Federal law.

Should you have occasion to communicate with us regarding this Letter of Credit, please direct your correspondence to the Servicer, Citicorp North America at 3800 Citigroup Center, Tampa, Florida 33610 Attn. Standby Unit, 3rd Floor, Bldg. B, or such other office as we may advise from time to time, making specific reference to the Letter of Credit number indicated above.

Very truly yours,

CITIBANK, N.A.

By: _____
Name: _____
Title: _____

Annex A
to Citibank, N.A. Irrevocable Letter of Credit No. _____
(Interest Drawing With Reinstatement Request)

Citibank, N.A.
c/o Citicorp North America, Inc.
3800 Citigroup Center
Tampa, Florida 33610
Attention: Standby Unit, Building B, 3rd Floor

Re: Drawing for Interest Due on Scheduled Interest Payment Date

Ladies and Gentlemen:

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

1. We are the Trustee or a successor Trustee under the Indenture for the holders of Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Terraces at Cibolo) Series 2007 in the amount of \$8,000,000.00 (the "Bonds").

2. We hereby make demand under the Letter of Credit, by our presentment of the sight draft accompanying this Certificate, for payment of \$_____ representing accrued and unpaid interest on the Bonds (excluding Pledged Bonds) with respect to a scheduled interest payment.

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

4. We request that the payment hereby demanded be made no later than 10:00 a.m., Tampa, Florida time, on _____ [if this certificate and an accompanying draft are delivered at or before 10:00 a.m., Tampa, Florida time, then insert a date which is the next Business Day; if this certificate and an accompanying draft are delivered after 10:00 a.m., Tampa, Florida time, insert a date which is a Business Day and is no earlier than the second succeeding Business Day following the date those documents are delivered]. Please [deposit/wire transfer] the amount hereby demanded to our account number _____ [insert account number] with _____ [insert name and address of banking institution to receive funds].

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

6. The amount demanded hereby is not being made in respect of any Bonds currently registered in the name of the Borrower or held by us for the account of the Borrower and for the benefit of the Lender as Pledged Bonds, as defined in and upon the terms and subject to the conditions set forth in

the Bond Pledge, Security and Custody Agreement, dated as of April 1, 2007, among the Borrower, you and the Lender.

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

Very truly yours,

(Beneficiary Name), as Trustee

By: _____
Name: _____
Title: _____

Annex B
to Citibank, N.A. Irrevocable Letter of Credit No. _____
(Redemption Drawing Without Reinstatement Request)

Citibank, N.A.
c/o Citicorp North America, Inc.
3800 Citigroup Center
Tampa, Florida 33610
Attention: Standby Unit, Building B, 3rd Floor

Re: Drawing for Partial Redemption of the Bonds

Ladies and Gentlemen:

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

1. We are the Trustee or a successor Trustee under the Indenture for the holders of Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Terraces at Cibolo) Series 2007 in the amount of \$8,000,000.00 (the "Bonds").

2. We hereby make demand under the Letter of Credit for payment of \$_____, of which \$_____ shall be with respect to the principal of certain of the Bonds (excluding Pledged Bonds), and \$_____ shall be with respect to interest to be paid on the Bonds (excluding Pledged Bonds), which total amount is due with respect to a partial redemption of Bonds pursuant to the Indenture.

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

4. We request that the payment hereby demanded be made no later than 12 noon, Tampa, Florida time, on _____ [if this certificate and an accompanying draft are delivered at or before 10:00 a.m., Tampa, Florida time, insert a date which is the next Business Day; if this certificate and an accompanying draft are delivered after 10:00 a.m., Tampa, Florida time, insert a date which is a Business Day and is no earlier than the second succeeding Business Day following the date those documents are delivered]. Please [deposit/wire transfer] the amount hereby demanded to our account number _____ [insert account number] with _____ [insert name and address of banking institution to receive funds].

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

6. The amount demanded hereby is not being made in respect of any Bonds currently registered in the name of the Borrower or held by us for the account of the Borrower and for the benefit of

the Lender as Pledged Bonds, as defined in and upon the terms and subject to the conditions set forth in the Bond Pledge, Security and Custody Agreement, dated as of April 1, 2007, among the Borrower, you and the Lender.

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

Very truly yours,

(Beneficiary Name), as Trustee

By: _____
Name: _____
Title: _____

Annex C
to Citibank, N.A. Irrevocable Letter of Credit No. _____
(Liquidity Drawing)

Citibank, N.A.
c/o Citicorp North America, Inc.
3800 Citigroup Center
Tampa, Florida 33610
Attention: Standby Unit, Building B, 3rd Floor

Re: Drawing for Purchase of Bonds

Ladies and Gentlemen:

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

1. We are the Trustee or a successor Trustee under the Indenture for the holders of Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Terraces at Cibolo) Series 2007 in the amount of \$8,000,000.00 (the "Bonds").

2. We hereby make demand under the Letter of Credit for payment of \$ _____, of which \$ _____ shall be with respect to the principal of certain of the Bonds (excluding Pledged Bonds), and \$ _____ shall be with respect to interest to be paid on the Bonds (excluding Pledged Bonds), which total amount is due with respect to the payment of all or a portion of the purchase price of Bonds (excluding Pledged Bonds) pursuant to the Indenture.

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

4. The executed original of this certificate and the accompanying draft is delivered to you by telefax transmission to the attention of the "Standby Unit", with telephone confirmation at the numbers provided in the Letter of Credit, on or before 10:00 a.m., Tampa, Florida time on a Business Day, and we request that the payment hereby demanded be made no later than 2:45 p.m., Tampa, Florida time, on the same Business Day. Please [deposit/wire transfer] the amount hereby demanded to our account number _____ [insert account number] with _____ [insert name and address of banking institution to receive funds].

5. The amount demanded hereby is not being made in respect of any Bonds currently registered in the name of the Borrower or held by us for the account of the Borrower and for the benefit of the Lender as Pledged Bonds, as defined in and upon the terms and subject to the conditions set forth in the Bond Pledge, Security and Custody Agreement, dated as of April 1, 2007, among the Borrower, you and the Lender. We hereby certify that Bonds in an aggregate outstanding principal amount equal to the amount demanded hereby with respect to principal shall be recorded as Pledged Bonds on the bond

register or, if the Bonds are held in a book-entry system, the registration requirements for such Bonds set forth in the Indenture will be satisfied.

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

Very truly yours,

(Beneficiary Name), as Trustee

By: _____
Name: _____
Title: _____

Annex D
to Citibank, N.A. Irrevocable Letter of Credit No. _____
(Final Drawing)

Citibank, N.A.
c/o Citicorp North America, Inc.
3800 Citigroup Center
Tampa, Florida 33610
Attention: Standby Unit, Building B, 3rd Floor

Re: Final Drawing and Termination

Ladies and Gentlemen:

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

1. We are the Trustee or a successor Trustee under the Indenture for the holders of Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Terraces at Cibolo) Series 2007 in the amount of \$8,000,000.00 (the "Bonds").

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

3. This Drawing is being made as a result of the (check applicable circumstance)

- maturity, acceleration, or redemption
- purchase in lieu of redemption

of all outstanding Bonds in accordance with the terms and conditions of the Bonds and the Indenture.

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

5. The sight draft accompanying this Certificate constitutes the final Drawing under the Letter of Credit and upon payment of such draft, the Letter of Credit is canceled. We request that the payment hereby demanded be made no later than 10:00 a.m., Tampa, Florida time, on _____ [if this certificate and an accompanying draft are delivered at or before 10:00 a.m., Tampa, Florida time, insert a date which is a Business Day and which is the next Business Day; if this certificate and an accompanying draft are delivered after 10:00 a.m., Tampa, Florida time, insert a date which is a Business Day and is no earlier than the second succeeding Business Day following the date these documents are delivered]. Please [deposit/wire transfer] the amount hereby demanded to our

account _____ number _____ [insert account number] with
_____ [insert name and address of banking institution to receive funds].

6. The amount demanded hereby is not being made in respect of any Bonds currently registered in the name of the Borrower or held by us for the account of the Borrower and for the benefit of the Lender as Pledged Bonds, as defined in and upon the terms and subject to the conditions set forth in the Bond Pledge, Security and Custody Agreement, dated as of April 1, 2007, among the Borrower, you and the Lender.

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

Very truly yours,

(Beneficiary Name), as Trustee

By: _____
Name: _____
Title: _____

Annex E
to Citibank, N.A. Irrevocable Letter of Credit No. _____
(Request for Full Transfer under Letter of Credit
Relinquishing all Rights as Beneficiary)

Date: _____

Citibank, N.A.
c/o Citicorp North America, Inc.
3800 Citigroup Center
Tampa, Florida 33610
Attention: Standby Unit, Building B, 3rd Floor

Re: Citibank, N.A. Letter of Credit No. [LOC #] _____ (the "Letter of Credit")
Beneficiary: _____ [insert name of transferring Trustee]
Current Balance: US \$ _____ [insert current Stated Amount]

Ladies and Gentlemen:

Reference is made to the Letter of Credit, heretofore issued by you in our favor. We hereby request you to transfer the Letter of Credit in its entirety to:

[insert name and address of Transferee]

(the "Transferee"). The Transferee has succeeded the Transferor as Trustee under that certain Indenture, dated as of April 1, 2007 by and between Texas Department of Housing and Community Affairs and (Beneficiary Name), as Trustee (the "Indenture") with respect to Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Terraces at Cibolo) Series 2007 in the amount of \$8,000,000.00 (the "Bonds").

We are returning the original Letter of Credit instrument to you herewith in order that you may deliver it to the Transferee together with your customary letter of transfer.

We agree that you shall issue any amendments to the Letter of Credit directly to the Transferee. [We further agree that any draft or drawing document presented to you by the Transferee may be forwarded by you directly to the party for whose account the Letter of Credit was opened (or any intermediary) without our intervention.]

Enclosed herewith is our check to cover your transfer charges of \$1,000.00.

Very truly yours,

(Beneficiary Name), as Trustee

By: _____
Name: _____
Title: _____

[Insert name, title, address and telephone number of
executing authorized officer(s)]

SIGNATURE GUARANTEED:

Each signature with title applied above on behalf of the
named Beneficiary conforms with that on file with us
and the executing officer is authorized for the execution
of this instrument.

By: _____
Name: _____
Title: _____

[Insert name and address of signature guarantee bank]

Annex F
to Citibank, N.A. Irrevocable Letter of Credit No. _____
(Surrender Certificate)

Citibank, N.A.
c/o Citicorp North America, Inc.
3800 Citigroup Center
Tampa, Florida 33610
Attention: Standby Unit, Building B, 3rd Floor

Ladies and Gentlemen:

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

1. We are the Trustee or a successor Trustee under the Indenture for the holders of Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Terraces at Cibolo) Series 2007 in the amount of \$8,000,000.00 (the "Bonds").
2. We hereby surrender the attached Letter of Credit to you.
3. The Letter of Credit is hereby terminated in accordance with its terms.
4. No payment is demanded of you in connection with this surrender of the Letter of Credit.
5. We hereby release all your obligation and responsibility under this Letter of Credit.

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

Very truly yours,

(Beneficiary Name), as Trustee

By: _____
Name: _____
Title: _____

Annex G
to Citibank, N.A. Irrevocable Letter of Credit No. _____
(Trustee Certificate of Reinstatement)

Citibank, N.A.
c/o Citicorp North America, Inc.
3800 Citigroup Center
Tampa, Florida 33610
Attention: Standby Unit, Building B, 3rd Floor

Re: Irrevocable Letter of Credit No. [LOC #]

Ladies and Gentlemen:

The undersigned, a duly authorized officer of (Beneficiary Name) (the "Trustee"), hereby notifies Citibank, N.A. (the "Bank"), with reference to Letter of Credit No. [LOC #] (the "Letter of Credit"; terms defined therein and not otherwise defined herein shall have the meanings set forth in the Letter of Credit) issued by the Bank in favor of the Trustee as follows:

1. Citigroup Global Markets, Inc. is the Remarketing Agent under the Indenture for the holders of the Bonds.
2. The Trustee has been advised by the Borrower or the Remarketing Agent that the amount of \$_____ paid to Citicorp USA, Inc., on behalf of the Bank today by the Borrower or the Remarketing Agent on behalf of the Borrower is a payment made to reimburse the Bank, pursuant to the Reimbursement Agreement, dated as of April 1, 2007 between the Borrower and Citicorp USA, Inc. (the "Reimbursement Agreement"), for amounts drawn under the Letter of Credit pursuant to a Liquidity Drawing.
3. Of the amount referred to in paragraph (2), \$_____ represents the aggregate principal amount of Pledged Bonds resold or to be resold on behalf of the Borrower.
4. Of the amount referred to in paragraph (2), \$_____ represents accrued and unpaid interest on such Pledged Bonds.
5. Please increase the Stated Amount of the Letter of Credit by \$_____.

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

(Beneficiary Name), as Trustee

By: _____
Name: _____
Title: _____

Annex H
to Citibank, N.A. Irrevocable Letter of Credit No. _____
(Notice of Event of Default under Reimbursement Agreement)

To: Beneficiary under Citibank, N.A. Letter of Credit No. [LOC #] (the "Letter of Credit")
Re: Event of Default under Reimbursement Agreement

Ladies and Gentlemen:

We hereby certify to you that:

1. An Event of Default has occurred under the Reimbursement Agreement, dated as of April 1, 2007, between Citicorp USA, Inc., and the Borrower (the "Reimbursement Agreement").

2. Pursuant to Section 4.01 of the Indenture (as such term and all other capitalized terms are used in the Reimbursement Agreement), the Bonds are to be redeemed upon receipt of notice of the occurrence of an Event of Default under the Reimbursement Agreement and request to redeem from the Bank.

3. Citicorp USA, Inc. hereby requests you redeem all of the Bonds outstanding on and, in connection therewith, to draw on the Letter of Credit to pay for such redemption.

Unless it expires earlier in accordance with its terms, the Letter of Credit will expire on _____, ____ [insert date that is 30 days from beneficiary's receipt of this notice or, if such day is not a Business Day, the next succeeding Business Day].

WITNESS WHEREOF, we have executed and delivered this certificate as of this ____ day of _____, ____.

Very truly yours,

CITICORP USA, INC.

By: _____
Name: _____
Title: _____

Copy to: Citibank, N.A.
c/o Citicorp North America, Inc.
3800 Citicorp Center
Tampa, Florida 33610
Attention: Standby Unit, Building B, 3rd Floor

Annex I
to Citibank, N.A. Irrevocable Letter of Credit No. _____
(Notice of Term Interest Rate Date)

Citibank, N.A.
c/o Citicorp North America, Inc.
3800 Citigroup Center
Tampa, Florida 33610
Attention: Standby Unit, Building B, 3rd Floor

Re: Conversion of Bonds to a Term Interest Rate

Ladies and Gentlemen:

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

1. We are the Trustee or a successor Trustee under the Indenture for the holders of Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Terraces at Cibolo) Series 2007 in the amount of \$8,000,000.00 (the "Bonds").
2. The Letter of Credit will expire on _____, _____, which is two (2) Business Days following the Term Interest Rate Date.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of this _____ day of _____, _____,

(Beneficiary Name), as Trustee

By: _____
Name: _____
Title: _____