



DATE: February 4, 2009

TO: Honorable Mayor and City Councilmembers

FROM: Neighborhood Services Department
Housing and Code Enforcement Division

SUBJECT: **ADOPTION OF A RESOLUTION AUTHORIZING THE ISSUANCE OF VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS (SHADOW WAY APARTMENTS PROJECT) SERIES 2009 AND APPROVING DOCUMENTS RELATING THERETO**

SYNOPSIS

Staff and the Housing Commission recommend that the City Council adopt a resolution authorizing the issuance of variable rate demand multifamily housing revenue bonds (Shadow Way Apartments Project) Series 2009 in a principal amount not to exceed \$15,000,000 and approving documents relating thereto.

BACKGROUND

At its September 10, 2008 meeting, the City Council unanimously approved the financing plan for the acquisition and rehabilitation of Shadow Way Apartments. A Tax and Equity Fiscal Responsibility Act (TEFRA) Public Hearing was also held in order to consider the issuance of tax-exempt multifamily housing revenue bonds (the "Bonds") as a component of the Project's total \$28.1 million financing plan. The bond proceeds will be used to fund the acquisition and rehabilitation of Shadow Way Apartments (the "Project") located at 4707 Yuma Avenue by Shadow Way Apartments, LP, a California Limited Partnership (the "Owner"). The project will add 144 units to the City's affordable housing inventory and assist in meeting the goals of the City's Affordable Housing Strategy.

ANALYSIS

To proceed with the proposed bond issuance the City will need to approve the following documents: Indenture of Trust, Financing Agreement, Regulatory Agreement, Intercreditor Agreement, Subordination Agreement, Deed of Trust, Assignment of Deed of Trust, Bond Purchase Agreement, and Official Statement. Under the Indenture the City will issue the bonds and then loan the bond proceeds to the Owner under the terms of the Financing Agreement to be entered into among the City, the Owner and the Trustee. The Bonds will be secured by a credit enhancement by Freddie Mac which will result in the Bonds receiving an AAA rating. The loan will be secured by a deed of trust on the Project in favor of the City. The deed of trust will be assigned by the City to the

Trustee as security for the Bonds under the Assignment of Security Instrument. Under the Financing Agreement the Owner agrees to repay the loan from rental income generated from the Project. Stone & Youngberg, LLC (the "Underwriter") will initially acquire the bonds pursuant to the Bond Purchase Agreement and will deposit the purchase price of the bonds under the Indenture. The Underwriter will offer and sell the Bonds to the general public using the Official Statement which has been prepared for this purpose. The Regulatory Agreement will be recorded as an encumbrance on the Project to ensure that all Federal tax law and State of California legal requirements as they relate to rental restrictions and tenant qualifications are satisfied. The City has also approved a separate loan to the Owner to assist with acquiring the Project under a Loan Agreement. This loan will be secured with a separate deed of trust on the Project. In order to sell the bonds to the public with credit enhancement from Freddie Mac it is necessary that the City subordinate its deed of trust on the Project to the Trustee for the benefit of the owners of the bonds. This is accomplished under the Subordination Agreement. Additionally, in order to organize the enforcement of the various agreements should the Owner default under the Financing Agreement, Loan Agreement, or Reimbursement Agreement with Freddie Mac, these parties will enter into an Intercreditor Agreement. The documents that pertain to the sale of the bonds are available for review in the City Clerk's Office in substantial form and will be approved as part of the resolution.

FISCAL IMPACT

The City will issue the multifamily housing revenue bonds for the Project. The bonds are payable solely out of the revenues from the Project or draws under the Freddie Mac credit enhancement. The City will receive a fee of \$37,500 for the issuance of the bonds which equals one-quarter of one-percent of the outstanding principal bond amount. The City will also receive an annual bond monitoring fee equal to one-eighth of one-percent of the principal bond amount during the term of the bonds. No additional financial obligations are placed on the City for Project financing costs or debt repayment as a result of the bond issuance.

COMMISSION OR COMMITTEE REPORT

At its January 27, 2009 meeting, the Housing Commission recommended that the City Council adopt a resolution authorizing the issuance of multifamily housing revenue bonds for the acquisition and rehabilitation of Shadow Way Apartments. The Commission's recommendation is attached.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

Staff and the Housing Commission recommend that the City Council adopt a resolution authorizing the issuance of variable rate demand multifamily housing revenue bonds (Shadow Way Apartments Project) Series 2009 in a principal amount not to exceed \$15,000,000 and approving documents relating thereto.

PREPARED BY:



David L. Manley
Neighborhood Services Division Mgr.

SUBMITTED BY:



Peter A. Weiss
City Manager

REVIEWED BY:

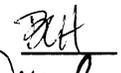
Michelle Skaggs Lawrence, Deputy City Manager



Margery M. Pierce, Neighborhood Services Director



Barbara L. Hamilton, Assistant City Attorney



Michele Lund, Treasury Manager



Teri Ferro, Financial Services Director



Attachments:

1. Resolution
2. Trust Indenture
3. Financing Agreement
4. Regulatory Agreement
5. Subordination Agreement
6. Deed of Trust
7. Assignment of Deed of Trust
8. Intercreditor Agreement
9. Bond Purchase Agreement
10. Official Statement

HOUSING COMMISSION REPORT

TO: OCEANSIDE CITY COUNCIL
 FROM: HOUSING COMMISSION
 DATE: JANUARY 27, 2009

THE HOUSING COMMISSION RECOMMENDS THAT THE CITY COUNCIL ADOPT A RESOLUTION AUTHORIZING THE ISSUANCE OF VARIABLE RATE DEMAND MULTI-FAMILY HOUSING REVENUE BONDS (SHADOW WAY) APARTMENTS SERIES 2009 IN A PRINCIPAL AMOUNT NOT TO EXCEED FIFTEEN MILLION (\$15,000,000) AND APPROVING DOCUMENTS.

CAMP*	NO
CHRISTY	YES
COOPER	YES
DAVIS	YES
FARMER	YES
HUSKEY	YES
PARKER	YES
SORENSEN	YES

ALTERNATE	
SAIZ	YES

- Commissioner Camp - My objection to approval is my deep concern of the Freddie Mac situation. I feel that we should at least postpone the decision until the decision on Freddie Mac's additional request for 30 or 35 billion for bailout is given to them or not. I am not against the project but feel we could have postponed this for a month. It always seems we are told we must beat a current deadline, why is the info given to us so late?
- Attached is a copy of a news item about Freddie Mac.

Freddie Mac to seek more funds

McLEAN, Va. — Mortgage finance company Freddie Mac said Friday it will need an additional \$30 billion to \$35 billion in government aid as it copes with losses on loans the company backed during the U.S. housing bubble.

The company disclosed in a Securities and Exchange Commission filing late Friday that it expects its government regulator, the Federal Housing Finance Agency, to make the request from the Treasury Department.

It comes on top of the \$13.8 billion the company received last year after it was seized by the government. Sibling company Fannie Mae has yet to request any such aid but has warned it may need to do so.

— The Associated Press

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RESOLUTION NO. _____

**A RESOLUTION OF THE CITY OF OCEANSIDE AUTHORIZING THE
ISSUANCE OF MULTIFAMILY HOUSING REVENUE BONDS IN AN
AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$15,000,000;
DETERMINING AND PRESCRIBING CERTAIN MATTERS AND
APPROVING AND AUTHORIZING THE EXECUTION OF AND
DELIVERY OF VARIOUS DOCUMENTS RELATED THERETO;
RATIFYING ANY ACTION HERETOFORE TAKEN AND APPROVING
RELATED MATTERS IN CONNECTION WITH THE BONDS.**

WHEREAS, the City of Oceanside (the “City”) is authorized pursuant to Chapter 7 (commencing with Section 52075) of Part 5 of Division 31 of the California Health and Safety Code (the “Act”) to provide assistance in financing multifamily residential rental housing developments within the City; and

WHEREAS, Shadow Way Apartments, LP, a California limited partnership (the “Borrower”), has requested assistance in financing the acquisition and rehabilitation of a 144-unit multifamily rental housing project located at 4707 Yuma Avenue in the City of Oceanside (the “Project”); and

WHEREAS, the City, in order to encourage and foster the development and renovation of multifamily rental housing development within the City, is willing to authorize the issuance of multifamily housing revenue bonds in an aggregate principal amount of not to exceed \$15,000,000 subject to the restrictions of the Act and all applicable California and federal laws as they relate to the Project; and

WHEREAS, proceeds of the bonds, if issued, will be loaned to the Borrower under the terms of a Financing Agreement among the City, The Bank of New York Mellon Trust Company, N.A., as Trustee (the “Trustee”) and the Borrower (the “Financing Agreement”) and will be secured by a deed of trust on the Project in favor of the City; and

WHEREAS, the Bonds will be initially sold to Stone & Youngberg LLC, as underwriter for the Bonds pursuant to the terms of a Bond Purchase Agreement; and

WHEREAS, there have been prepared and presented at this meeting the following documents required for the issuance of the Bonds, and such documents are now in substantially final form and appropriate instruments to be executed and delivered for the purposes intended:

1 (1) Trust Indenture (the “Indenture”) to be entered into between the City and
2 the Trustee;

3 (2) Financing Agreement (the “Financing Agreement”) to be entered into
4 among the City, the Trustee and the Borrower;

5 (3) Regulatory Agreement and Declaration of Restrictive Covenants (the
6 “Regulatory Agreement”) to be entered into among the City, the Borrower and the Trustee;

7 (4) Bond Purchase Agreement (the “Bond Purchase Agreement”) to be entered
8 into among the City, the Borrower and Stone & Youngberg LLC (the “Underwriter”);

9 (5) Official Statement relating to the Bonds (the “Official Statement”);

10 (6) Multifamily Deed of Trust, Assignment of Rents, Security Agreement and
11 Fixture Filing (California) (the “Deed of Trust”) from the Borrower for the benefit of the City;

12 (7) Assignment of Security Instrument (the “Assignment”) from the City to the
13 Trustee;

14 (8) Intercreditor Agreement (the “Intercreditor Agreement”) among the City,
15 the Trustee and the Federal Home Loan Mortgage Corporation (“Freddie Mac”); and

16 (9) Subordination Agreement (the “Subordination Agreement”) between the
17 City and Freddie Mac; and

18 **WHEREAS**, all acts, conditions and things required by the Act, and by all other
19 laws of the State of California, to exist, to have happened and to have been performed precedent
20 to and in connection with the issuance of the Bonds exist, have happened, and have been
21 performed in regular and due time, form and manner as required by law, and the City is now duly
22 authorized and empowered, pursuant to each and every requirement of law, to issue such Bonds
23 for the purpose, in the manner and upon the terms herein provided.

24 **NOW, THEREFORE**, the City Council of the City of Oceanside, does resolve as
25 follows:

26 Section 1. The above recitals, and each of them, are true and correct.

27 Section 2. Pursuant to the Act and the Indenture, the City is hereby authorized
28 to issue the Bonds. The Bonds shall be designated as “Variable Rate Demand Multifamily

1 Housing Revenue Bonds (Shadow Way Apartments Project), Series 2009” in an aggregate
2 principal amount not to exceed \$15,000,000. The Bonds shall be issued in the form set forth in
3 and otherwise in accordance with the Indenture, and shall be executed by the manual or facsimile
4 signature of the Mayor or Deputy Mayor of the City and countersigned by the manual or
5 facsimile signature of the City Clerk of the City. The Bonds shall be issued and secured in
6 accordance with the terms of the Indenture presented to this meeting, as hereinafter approved.
7 Payment of the principal and purchase price of, and redemption premium, if any, and interest on,
8 the Bonds shall be made solely from the Trust Estate (as defined in the Indenture), and the Bonds
9 shall not be deemed to constitute a debt or liability of the City.

10 Section 3. The form, terms and provisions of the Indenture in the form
11 presented at this meeting are hereby approved and the Mayor, City Manager, Deputy City
12 Manager or Director of Financial Services of the City of Oceanside, acting alone, is authorized to
13 execute by manual signature and deliver the Indenture with such changes and insertions therein as
14 may be necessary to cause the same to carry out the intent of this Resolution and as are hereby
15 approved by counsel to the City, such approval to be conclusively evidenced by the delivery
16 thereof. The date, maturity date or dates (which shall not extend beyond May 1, 2049), interest
17 rate or rates (which shall not exceed 12%), interest payment dates, denominations, form,
18 registration privileges, manner of execution, place of payment, terms of redemption and other
19 terms of the Bonds shall be as provided in the Indenture as finally executed.

20 Section 4. The form, terms and provisions of the Financing Agreement in the
21 form presented at this meeting are hereby approved and the Mayor, City Manager, Deputy City
22 Manager or Director of Financial Services of the City of Oceanside, acting alone, is authorized to
23 execute by manual signature and deliver the Financing Agreement with such changes and
24 insertions therein as may be necessary to cause the same to carry out the intent of this Resolution
25 and as are hereby approved by counsel to the City, such approval to be conclusively evidenced by
26 the delivery thereof;

27 Section 5. The form, terms and provisions of the Regulatory Agreement in the
28 form presented at this meeting are hereby approved and the Mayor, City Manager, Deputy City

1 Manager or Director of Financial Services of the City of Oceanside, acting alone, is authorized to
2 execute by manual signature and deliver the Regulatory Agreement with such changes and
3 insertions therein as may be necessary to cause the same to carry out the intent of this Resolution
4 and as are hereby approved by counsel to the City, such approval to be conclusively evidenced by
5 the delivery thereof.

6 Section 6. The form, terms and provisions of the Bond Purchase Agreement in
7 the form presented at this meeting are hereby approved and the Mayor, City Manager, Deputy
8 City Manager or Director of Financial Services of the City of Oceanside, acting alone, is
9 authorized to execute by manual signature and deliver the Bond Purchase Agreement with such
10 changes and insertions therein as may be necessary to cause the same to carry out the intent of
11 this Resolution and as are hereby approved by counsel to the City, such approval to be
12 conclusively evidenced by the delivery thereof.

13 Section 7. The City is hereby authorized to sell the Bonds to the Underwriter
14 identified by the Bond Purchase Agreement pursuant to the terms and conditions of the Bond
15 Purchase Agreement. The City is authorized to make the Loan with the proceeds of the Bonds
16 and to assign the Trust Estate to the Trustee as security for the payment of the Bonds.

17 Section 8. The form of Official Statement present at this meeting is hereby
18 approved. The Mayor, City Manager, Deputy City Manager or Director of Financial Services of
19 the City of Oceanside, acting alone, is authorized to certify as to the completeness and accuracy
20 of the sections therein entitled "THE ISSUER" and "NO LITIGATION – The Issuer" or similarly
21 titled sections, and to execute, at the time of sale of the Bonds, said form of Official Statement
22 with such changes and insertions therein as may be necessary to cause the same to carry out the
23 intent of this Resolution. The Underwriter is authorized to distribute the Official Statement in
24 connection with the offer of the Bonds.

25 Section 9. The Bonds, when executed, shall be delivered to the Underwriter
26 upon payment of the purchase price thereof. The Mayor, City Manager, Deputy City Manager or
27 Director of Financial Services of the City of Oceanside, acting alone, is hereby authorized and
28 directed to take such action as may be necessary to effect such delivery.

1 Section 10. The proposed form of Subordination Agreement presented at this
2 meeting is hereby approved and the Mayor, City Manager, Deputy City Manager or Director of
3 Financial Services of the City of Oceanside or the written designee of one of the foregoing are,
4 and each of them is, hereby authorized and directed, for and in the name of the City, to execute
5 the Subordination Agreement with the parties thereto in substantially the form hereby approved,
6 with such changes therein as the officer executing such agreement may approve, such approval to
7 be conclusively evidenced by the execution and delivery thereof.

8 Section 11. The proposed form of Assignment presented at this meeting under
9 which the City will assign its interest in the Deed of Trust to the Trustee is hereby approved and
10 the Mayor, City Manager, Deputy City Manager or Director of Financial Services of the City of
11 Oceanside or the written designee of one of the foregoing are, and each of them is, hereby
12 authorized and directed, for and in the name of the City, to execute the Assignment with the
13 parties thereto in substantially the form hereby approved, with such changes therein as the officer
14 executing such agreement may approve, such approval to be conclusively evidenced by the
15 execution and delivery thereof, and the City hereby accepts the Deed of Trust in the form
16 presented at this meeting and authorizes the foregoing officers to accept the Deed of Trust on
17 behalf of the City.

18 Section 12. The proposed form, terms and provisions of the Intercreditor
19 Agreement in the form presented at this meeting are hereby approved and the Mayor, the City
20 Manager, the Deputy City Manager or the Director of Financial Services of the City of Oceanside
21 or the written designee of one of the foregoing are authorized to execute by manual signature and
22 deliver the Intercreditor Agreement with such changes and insertions therein as may be necessary
23 to cause the same to carry out the intent of this Resolution and as are hereby approved, such
24 approval to be conclusively evidenced by the delivery thereof.

25 Section 13. Best Best & Krieger LLP is hereby appointed as bond counsel in
26 connection with the issuance and sale of the Bonds.

27 Section 14. All actions heretofore taken by the officers and agents of the City
28 with respect to the financing of the Project and the sale and issuance of the Bonds are hereby

1 approved, ratified and confirmed, and the Mayor, City Manager, Deputy City Manager or
2 Director of Financial Services of the City of Oceanside, or the written designee of any of the
3 foregoing, acting alone, is hereby authorized and directed, for and in the name and on behalf of
4 the City, to do any and all things and take any and all actions and execute and deliver any and all
5 certificates, agreements and other documents, including but not limited to a tax certificate, an
6 assignment of note, an assignment of security, an intercreditor agreement, a subordination
7 agreement or agreements and such other documents described in the Indenture and the other
8 documents herein approved, which they, or any of them, may deem necessary or advisable in
9 order to consummate the lawful issuance and delivery of the Bonds and to effectuate the purposes
10 thereof and of the documents herein approved in accordance with this Resolution and resolutions
11 heretofore adopted by the City and otherwise in order to carry out the financing of the Project.

12 Section 15. This Resolution shall take effect from and after its adoption.

13 **PASSED AND ADOPTED** by the City Council of the City of Oceanside,
14 California this ___ day of _____, 2009, by the following vote:

15 AYES:

16 NOES:

17 ABSENT:

18 ABSTAIN:

19
20 _____
MAYOR OF THE CITY OF OCEANSIDE

21 ATTEST:

APPROVED AS TO FORM:

22 By: _____
23 CITY CLERK

By: 
CITY ATTORNEY

24
25
26 **A RESOLUTION OF THE CITY OF OCEANSIDE AUTHORIZING THE ISSUANCE OF MULTIFAMILY
HOUSING REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED
27 \$15,000,000; DETERMINING AND PRESCRIBING CERTAIN MATTERS AND APPROVING AND
AUTHORIZING THE EXECUTION OF AND DELIVERY OF VARIOUS DOCUMENTS RELATED
28 THERETO; RATIFYING ANY ACTION HERETOFORE TAKEN AND APPROVING RELATED
MATTERS IN CONNECTION WITH THE BONDS.**

TRUST INDENTURE

between

CITY OF OCEANSIDE

and

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

Relating to

\$15,000,000

CITY OF OCEANSIDE

**Variable Rate Demand Multifamily Housing Revenue Bonds
(Shadow Way Apartments Project)
Series 2009**

Dated as of February 1, 2009

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TRUST INDENTURE

THIS TRUST INDENTURE (this "Indenture"), made and entered into as of February 1, 2009, by and between the **CITY OF OCEANSIDE** (the "Issuer"), a municipal corporation, duly organized and existing under the laws of the State of California (the "**Issuer**"), and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, a national banking association duly qualified to accept and administer the trusts created hereby, as trustee (the "**Trustee**").

WITNESSETH:

WHEREAS, pursuant to the provisions of Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California, as amended (the "Act"), and this Indenture, the Issuer has determined to issue its City of Oceanside Variable Rate Demand Multifamily Housing Revenue Bonds (Shadow Way Apartments Project) Series 2009 (the "Bonds") in the original aggregate principal amount of \$15,000,000 to provide for the financing of a portion of the costs of the acquisition, rehabilitation and equipping of a multifamily rental housing development located at 4707 Yuma Avenue, in Oceanside, California known as Shadow Way Apartments (the "Project"); and

WHEREAS, pursuant to a Financing Agreement dated as of February 1, 2009 (the "Financing Agreement"), among the Issuer, Shadow Way Apartments, LP, a limited partnership duly organized and existing under the laws of the State of California (the "Borrower"), and the Trustee, the Issuer has agreed to use the proceeds of the sale of Bonds to finance a mortgage loan in the principal amount of \$15,000,000 (the "Bond Mortgage Loan") from the Issuer to the Borrower in connection with the Project; and

WHEREAS, the Borrower has agreed to use the proceeds of the Bond Mortgage Loan to finance a portion of the costs of the acquisition, rehabilitation and equipping of the Project; and

WHEREAS, the Borrower's repayment obligations in respect of the Bond Mortgage Loan will be evidenced by a Bond Mortgage Note dated as of February 1, 2009 (together with all riders and addenda thereto, the "Bond Mortgage Note") delivered to the Trustee under this Indenture; and

WHEREAS, the Borrower will cause to be delivered to the Trustee on the Delivery Date a direct pay Credit Enhancement Agreement dated as of February 1, 2009 (the "Credit Enhancement Agreement"), between the Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Trustee which will provide for (i) draws in an amount equal to Guaranteed Payments with respect to the Bond Mortgage Loan and (ii) the payment of the Purchase Price of the Bonds during any period the Bonds bear interest at the Variable Rate, to the extent there are insufficient remarketing proceeds to pay the Purchase Price of the Bonds tendered for purchase while the Bonds bear interest at a Variable Rate; and

WHEREAS, Prudential Affordable Mortgage Company (the "Servicer") will act as initial servicer for the Bond Mortgage Loan; and

WHEREAS, the Borrower's reimbursement obligations to Freddie Mac for draws made under the Credit Enhancement Agreement will be evidenced by a Reimbursement and Security

Agreement dated as of February 1, 2009 (the "Reimbursement Agreement"), between the Borrower and Freddie Mac; and

WHEREAS, to secure the Borrower's obligations under the Bond Mortgage Note, the Borrower will execute and deliver to the Trustee a Multifamily Deed of Trust, Assignment of Rents and Security Agreement dated as of February 1, 2009 (the "Bond Mortgage"), with respect to the Project; and

WHEREAS, to secure the Borrower's reimbursement obligations under the Reimbursement Agreement, the Borrower will execute and deliver to Freddie Mac on the Delivery Date a Multifamily Deed of Trust, Assignment of Rents and Security Agreement dated as of February 1, 2009 (the "Reimbursement Mortgage"), with respect to the Project; and

WHEREAS, the Issuer, the Trustee and Freddie Mac will also enter into an Intercreditor Agreement dated as of February 1, 2009 (the "Intercreditor Agreement"), in connection with Freddie Mac's provision of credit enhancement; and

WHEREAS, the Issuer has determined that all things necessary to make the Bonds, when executed by the Issuer and authenticated by the Trustee and issued in accordance with this Indenture, valid, binding and legal obligations of the Issuer and to constitute this Indenture a valid lien on the properties, interests, revenues and payments herein pledged to the payment of the principal of, premium, if any, on, and interest on, the Bonds, have been duly taken, and the creation, execution and delivery of this Indenture and the execution and delivery of the Bonds, subject to the terms of this Indenture, have been duly authorized by the Issuer; and

WHEREAS, the Trustee has trust powers and the power and authority to enter into this Indenture, to accept trusts generally and to accept and execute the trust created by this Indenture; the Trustee has accepted the trust so created and, to evidence such acceptance, has joined in the execution of this Indenture.

NOW, THEREFORE, the Issuer, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the holders and owners thereof, and of the sum of one dollar, lawful money of the United States of America, to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds according to their tenor and effect, the payment to Freddie Mac of the Freddie Mac Reimbursement Amount and the Freddie Mac Credit Enhancement Fee (as such terms are hereinafter defined) in accordance with the provisions hereof and of the Credit Enhancement Agreement and the Reimbursement Agreement, or the payment of amounts due and owing to any other Credit Facility Provider following termination of the Credit Enhancement Agreement, and the performance and observance by the Issuer of all the covenants expressed or implied herein and in the Bonds, does hereby grant, bargain, sell, convey, pledge and assign a security interest, unto the Trustee, and its successors in trust and its and their assigns in and to the following (said property being herein referred to as the "Trust Estate"), to wit:

GRANTING CLAUSE FIRST

All right, title and interest of the Issuer in and to all Revenues.

GRANTING CLAUSE SECOND

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

GRANTING CLAUSE THIRD

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

TO HAVE AND TO HOLD, all the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended so to be, to the Trustee and its successors in said trust and to them and their assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all Holders of the Bonds issued under and secured by this Indenture without privilege, priority or distinction as to lien or otherwise of any of the Bonds over any of the other Bonds, except as set forth in this Indenture, and for the benefit, security and protection of the Credit Facility Provider to the extent of its interests hereunder and under the Credit Facility, the Reimbursement Agreement and the Intercreditor Agreement;

PROVIDED, HOWEVER, that if the Issuer or its successors or assigns shall pay or cause to be paid to the Holders of the Bonds the principal, interest and premium, if any, to become due thereon at the times and in the manner provided in Article IX hereof and shall discharge or cause to be discharged any and all obligations to the Credit Facility Provider hereunder and under the Credit Facility, the Reimbursement Agreement, and if the Issuer shall keep, perform and observe, or cause to be kept, performed and observed, all of its covenants, warranties and agreements contained herein, then these presents and the estate and rights hereby granted shall, at the option of the Issuer, cease, terminate and be void, and thereupon the Trustee shall cancel and discharge the lien of this Indenture and execute and deliver to the Issuer such instruments in writing as shall be requisite to satisfy the lien hereof, and, subject to the provisions of

Sections 4.09, 4.11 and 4.12 hereof and Article IX hereof, reconvey to the Issuer the estate hereby conveyed, and assign and deliver to the Issuer any property at the time subject to the lien of this Indenture which may then be in its possession, except for the Rebate Fund and cash held by the Tender Agent for the payment of the Purchase Price of Bonds tendered pursuant to the terms of this Indenture or held by the Trustee for the payment of interest on and principal of the Bonds or for payment of amounts payable to the Credit Facility Provider; otherwise this Indenture to be and remain in full force and effect and upon the trusts and subject to the covenants and conditions hereinafter set forth.

AND IT IS HEREBY COVENANTED AND AGREED by and between the parties hereto, that the terms and provisions upon which the Bonds are to be issued, executed, authenticated, delivered and secured, and the trusts and conditions upon which the Trust Estate is to be held and disposed of, which said trusts and conditions the said Trustee hereby accepts and agrees to discharge, are as follows (except that in the performance of the agreements of the Issuer herein contained, any obligation it may thereby incur for the payment of money shall not be a general obligation of the Issuer nor a debt or pledge of the faith and credit of the Issuer or the State, but shall be payable solely from the revenues and funds pledged for its payment in accordance with this Indenture):

ARTICLE I

DEFINITIONS

Section 1.01 Definitions. The terms used in this Indenture (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified below:

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

“*Administration Fund*” means the Administration Fund established by the Trustee pursuant to Section 4.02 hereof.

“*Alternate Credit Facility*” means a letter of credit, surety bond, insurance policy, standby purchase agreement, guaranty, mortgage-backed security or other credit facility, collateral purchase agreement or similar agreement issued by a financial institution (including without limitation Freddie Mac) which provides security for the payment of (a)(i) the principal of and interest on the Bonds (but in no case less than all of the Outstanding Bonds when due) or (ii) the Bond Mortgage Loan in an amount not less than the Guaranteed Payment, and (b) the Purchase Price of the Bonds, which Alternate Credit Facility is provided in accordance with Section 5.4 of the Financing Agreement.

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

“*Authorized Denomination*” means, (a) with respect to Bonds during any Variable Period, \$100,000 principal amount or any integral multiple of \$5,000 greater than \$100,000, and

(b) with respect to Bonds during any Reset Period or the Fixed Rate Period, \$5,000 principal amount or any integral multiple thereof.

“*Authorized Officer*” means (a) when used with respect to the Issuer, the Mayor, Deputy Mayor or City Manager of the Issuer and such additional Person or Persons, if any, duly designated by the Issuer in writing to act on its behalf, (b) when used with respect to the Borrower, any [general partner] of the Borrower and such additional Person or Persons, if any, duly designated by the Borrower in writing to act on its behalf, (c) when used with respect to the Trustee, any authorized signatory of the Trustee, or any Person who is authorized in writing to take the action in question on behalf of the Trustee, (d) when used with respect to the Servicer, the _____ of the Servicer and such additional Person or Persons, if any, duly designated by the Servicer in writing to act on its behalf, (e) when used with respect to the Remarketing Agent, any Vice President of the Remarketing Agent and such additional Person or Persons, if any, duly designated by the Remarketing Agent in writing to act on its behalf, (f) when used with respect to the Tender Agent, any authorized signatory of the Tender Agent and such additional Person or Persons, if any, duly designated by the Tender Agent in writing to act on its behalf, and (g) when used with respect to the Credit Facility Provider, any Person who is authorized in writing to take the action in question on behalf of the Credit Facility Provider.

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

“*Bond Counsel*” means initially Best Best & Krieger LLP and thereafter any firm of attorneys selected by the Issuer experienced in matters relating to the issuance of obligations by states and their political subdivisions that is listed as municipal bond attorneys in The Bond Buyer’s Municipal Marketplace and is acceptable to the Credit Facility Provider.

“*Bond Fee Component*” means the regular, ongoing fees from time to time to the Issuer, the Trustee, the Remarketing Agent, the Tender Agent, the Custodian, the Counterparty, if any, and the Rebate Analyst, if any, expressed as a flat, fixed amount or in terms of a percentage of the principal amount of Outstanding Bonds (including Purchased Bonds) on an annual basis.

“*Bond Financing Documents*” means, collectively, this Indenture, the Bonds, the Financing Agreement, the Remarketing Agreement, the Tax Certificate and the Bond Mortgage Loan Documents.

“*Bond Fund*” means the Bond Fund established by the Trustee pursuant to Section 4.02 hereof.

“*Bondholder*” or “*Holder*” or “*Owner*” means any Person who shall be the registered owner of any Outstanding Bond or Bonds.

“*Bond Mortgage*” means the Multifamily Deed of Trust, Assignment of Rents and Security Agreement dated as of February 1, 2009, together with all riders and addenda thereto, granting a first priority mortgage and security interest in the Project to the Trustee to secure the repayment of the Bond Mortgage Loan, as the same may be amended, supplemented or restated.

“*Bond Mortgage Loan*” means the loan financed by the Issuer from the Trustee to the Borrower in the original principal amount of \$15,000,000 pursuant to the Bond Mortgage Loan Documents.

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

“*Bond Mortgage Loan Fund*” means the Bond Mortgage Loan Fund established by the Trustee pursuant to Section 2.11 hereof.

“*Bond Mortgage Note*” means the Bond Mortgage Note dated as of February 1, 2009 from the Borrower to the Trustee, including all riders and addenda thereto, evidencing the Borrower’s obligation to repay the Bond Mortgage Loan, as the same may be amended, supplemented or restated from time to time which Bond Mortgage Note will be delivered to the Issuer and endorsed by the Issuer to the Trustee.

“*Bond Purchase Fund*” means the Bond Purchase Fund established by the Tender Agent pursuant to Section 10.03.

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

“*Bond Registrar*” means the Trustee acting as such, and any other bond registrar appointed pursuant to this Indenture.

“*Bond Resolution*” means the resolution adopted by the Issuer authorizing the issuance of the Bonds.

“*Bonds*” means, the \$15,000,000 City of Oceanside Variable Rate Demand Multifamily Housing Revenue Bonds (Shadow Way Apartments Project) Series 2009, issued pursuant to the provisions of this Indenture.

“*Bond Year*” means the period of twelve consecutive months ending on February 1 in any year in which Bonds are Outstanding, provided that the first Bond Year shall commence on the Delivery Date and end on February 1, 2010.

“*Borrower*” means Shadow Way Apartments, LP, a limited partnership duly organized and existing under the laws of State of California, or any of its permitted successors or assigns, as owner of the Project.

“*Business Day*” means any day other than (a) a Saturday, (b) a Sunday, (c) a day on which the Federal Reserve Bank of New York (or other agent acting as the Credit Facility

Provider's fiscal agent identified to the Trustee) is authorized or obligated by law or executive order to remain closed, (d) a day on which the Principal Office of the Credit Facility Provider is closed or (e) a day on which (i) banking institutions in the City of New York or in the city in which the Principal Office of the Trustee, the Tender Agent, the Remarketing Agent or the Principal Office of the Credit Facility Provider is located are authorized or obligated by law or executive order to be closed or (ii) the New York Stock Exchange is closed.

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

"Commitment" means the commitment from Freddie Mac to the Servicer pursuant to which Freddie Mac has agreed to provide credit enhancement for the Bond Mortgage Loan and liquidity support for the Bonds, as the same may be amended, modified or supplemented from time to time.

"Costs of Issuance" means (i) the fees (excluding ongoing fees), costs and expenses of (a) the Issuer, the Issuer's counsel and the Issuer's financial advisor, (b) the Underwriter (including discounts to the Underwriter or other purchasers of the Bonds, other than original issue discount, incurred in the issuance and sale of the Bonds) and the Underwriter's counsel, (c) Bond Counsel, (d) the Trustee and the Trustee's counsel, (e) the Servicer and the Servicer's counsel, if any, (f) the Credit Facility Provider and the Credit Facility Provider's counsel, (g) the Borrower's counsel and the Borrower's financial advisor, if any, and (h) the Rating Agency, (ii) costs of printing the offering documents relating to the sale of the Bonds and (iii) all other fees, costs and expenses directly associated with the authorization, issuance, sale and delivery of the Bonds, including, without limitation, printing costs, costs of reproducing documents, filing and recording fees.

"Costs of Issuance Deposit" means the deposit to be made by the Borrower with the Trustee on the date of issuance of the Bonds, which deposit shall equal \$_____ comprised of sources other than the proceeds of the Bonds.

"Cost of Issuance Fund" means the Cost of Issuance Fund established by the Trustee pursuant to Section 4.02 hereof.

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

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

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

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

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

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

“*Custodian*” means The Bank of New York Mellon Trust Company, N.A. not in its individual capacity but solely in its capacity as collateral agent for the Credit Facility Provider, and any successor in such capacity.

“*Dated Date*” means [February ____], 2009.

“*Delivery Date*” means [February ____, 2009], the date of initial delivery of the Bonds to the initial purchasers thereof against payment therefor.

“*DTC*” means The Depository Trust Company, New York, New York, as initial Securities Depository for the Bonds pursuant to Section 2.12 hereof or its successors.

“*Eligible Funds*” means (a) the proceeds of obligations issued to refund the Bonds or remarketing proceeds received from the Remarketing Agent or any purchaser (other than funds provided by the Borrower, any general partner, member or guarantor of the Borrower or the Issuer), (b) proceeds received pursuant to the Credit Facility, (c) proceeds of the Bonds received contemporaneously with the issuance and sale of the Bonds, (d) proceeds from the investment or reinvestment of money described in clauses (a), (b) and (c) above, or (e) money delivered to the Trustee and accompanied by a written opinion acceptable to the Rating Agency (unless such opinion is waived in writing by the Rating Agency by notice delivered to the Trustee and the Credit Facility Provider) of nationally recognized counsel experienced in bankruptcy matters to the effect that if the Borrower, any general partner, member or guarantor of the Borrower, or the Issuer were to become a debtor in a proceeding under the Bankruptcy Code: (i) payment of such money to Holders of the Bonds would not constitute an avoidable preference under Section 547 of the Bankruptcy Code and (ii) the automatic stay provisions of Section 362(a) of the Bankruptcy Code would not prevent application of such money to the payment of the Bonds.

“*Event of Default*” or “*event of default*” means any of those events specified in and defined by the applicable provisions of Article VI hereof to constitute an event of default.

“*Extraordinary Services*” means and includes, but not by way of limitation, services, actions and things carried out and all expenses incurred by the Trustee in respect of or to prevent default under this Indenture and the Bond Mortgage Loan Documents, including any attorneys’ fees and other litigation costs that are entitled to reimbursement under the terms of the Financing

Agreement, and other actions taken and carried out by the Trustee which are not expressly set forth in this Indenture.

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

“Extraordinary Trustee’s Fees and Expenses” means all those fees, expenses and disbursements earned or incurred by the Trustee as described under Section 7.06 during any Bond Year for Extraordinary Services, as set forth in a detailed invoice to the Borrower.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the 1986 Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (a) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (b) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the 1986 Code, (c) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (d) any commingled investment fund in which the Issuer and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of investment.

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

“Fixed Rate” means the interest rate borne by the Bonds from and after the Fixed Rate Adjustment Date to the maturity date of the Bonds, determined in accordance with Section 2.02(d) hereof.

“Fixed Rate Adjustment” means the establishment of the interest rate on the Bonds at the Fixed Rate, pursuant to Section 2.02(d) hereof.

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

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

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

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

“*Freddie Mac Credit Enhancement Payment*” shall have the meaning given to that term in the Credit Enhancement Agreement.

“*Freddie Mac Reimbursement Amount*” shall have the meaning given to that term in the Reimbursement Agreement.

“*Government Obligations*” means investments meeting the requirements of clauses (a) or (b) of the definition of “Qualified Investments” herein.

“*Guaranteed Payment*” means the amount required to be paid to the Trustee pursuant to the Credit Facility, provided that so long as the Credit Enhancement Agreement is the Credit Facility, “Guaranteed Payment” shall have the meaning given to that term in the Credit Enhancement Agreement.

“*Guide*” means the Freddie Mac Multifamily Seller/Service Guide, as the same may be amended, modified or supplemented from time to time.

“*Hedge Agreement*” means any interest rate cap agreement, swap agreement or similar instrument required to be maintained for the benefit of the Credit Facility Provider under the terms of the Reimbursement Agreement.

“*Hedge Fee Escrow*” has the meaning given that term in the Reimbursement Agreement.

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

“*Index Rate*” means as to the Bonds, a rate equal to the index of the weekly index rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data, a Thomson Financial Services Company, or its successors, which meet specific criteria established by The Securities Industry and Financial Markets Association, such index currently known as The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index or any successor to such index.

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

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

“*Interest Payment Date*” means [March 2], 2009 and thereafter (i) for interest accrued during any Variable Period, the first Business Day of each month, (ii) for interest accrued during

any Reset Period, February 1 and August 1 of each year, commencing on the February 1 or August 1 next following the applicable Reset Adjustment Date, (iii) for interest accrued on and after the Fixed Rate Adjustment Date, February 1 and August 1 of each year, commencing on the February 1 or August 1 next following the Fixed Rate Adjustment Date, (iv) each Reset Adjustment Date, Variable Rate Adjustment Date, Fixed Rate Adjustment Date, Substitution Date and the maturity date of the Bonds, and (v) for Bonds subject to redemption but only with respect to such Bonds, the date of redemption (or purchase in lieu of redemption).

“Interest Requirement” means (a) during the Variable Period, 35 days’ interest computed at the Maximum Rate and (b) during a Reset Period or the Fixed Rate Period, 189 days’ interest computed at the Reset Rate or Fixed Rate, as applicable, or in the case of either (a) or (b), such lesser number of days as is acceptable to the Rating Agency (as confirmed in writing by the Rating Agency).

“Issuer” means the City of Oceanside, a municipal corporation duly organized and existing under the laws of the State of California, together with its successors and assigns.

“Issuer Fee” means the fee paid to the Issuer on the Delivery Date in the amount of _____ together with the Issuer’s annual fee equal to one eighth of one percent (0.125%) of the principal amount of the Bonds payable by the Borrower under the Financing Agreement.

“Liquidity Advance” means an advance by the Credit Facility Provider pursuant to the terms of the Credit Facility to pay the Purchase Price of any Bonds tendered optionally by Bondholders pursuant to Section 10.01 of this Indenture which have not been remarketed by the Remarketing Agent pursuant to the Remarketing Agreement and this Indenture and, therefore, with respect to which there are no proceeds of remarketing.

“Market Risk Event” means (a)(i) legislation enacted by the Congress, (ii) a final non-appealable decision rendered by a court established under Article III of the Constitution of the United States, or the United States Tax Court, or (iii) a final order, ruling or regulation issued by the United States Department of the Treasury or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of causing interest received by any holder of a Bond (other than a Bondholder who is a “substantial user” of the Project or a “related person” of a substantial user (each within the meaning of Section 147(a) of the 1986 Code)) to be included in the gross income of such Bondholder for purposes of federal income taxation; or (b) legislation enacted or any final action taken by the Securities and Exchange Commission which, in the opinion of counsel to the Remarketing Agent, has the effect of requiring the remarketing of the Bonds to be registered under the Securities Act of 1933, as amended (the “Securities Act”), or any other “security,” as defined in the Securities Act, issued in connection with or as part of the remarketing of the Bonds to be so registered or this Indenture to be qualified as an indenture under the Trust Indenture Act of 1939, as amended; or (c) any event shall have occurred or shall exist which, in the reasonable judgment of the Remarketing Agent, makes or has made untrue or incorrect in any material respect any statement or information contained in a reoffering circular or other disclosure document distributed in connection with the Fixed Rate Adjustment or Reset Adjustment Date or is not or was not reflected in such reoffering circular or other disclosure document but should be or should have been reflected therein in order to make the statements or information contained therein not misleading in any material respect; or (d) in the reasonable

judgment of the Remarketing Agent, any event which makes it impractical or inadvisable for the Remarketing Agent to remarket or enforce agreements to remarket Bonds because trading in securities generally shall have been suspended on the New York Stock Exchange, Inc., or a general banking moratorium shall have been established by federal, New York or State authorities.

“*Maturity Date*” means the maturity date of the Bonds set forth in Section 2.01(c) hereof.

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

“*Moody’s*” means Moody’s Investors Service, Inc., its successors and assigns.

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

“*1986 Code*” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

“*1954 Code*” means the Internal Revenue Code of 1954, as amended, and the regulations promulgated thereunder, as such 1954 Code shall have been in effect immediately preceding the enactment of the 1986 Code.

“*Official Statement*” means the Official Statement, relating to the sale and issuance of the Bonds, as the same may be supplemented or amended.

“*Optional Tender Date*” has the meaning set forth in Section 10.01 hereof.

“*Ordinary Servicing Fees and Expenses*” means the ordinary fees payable to the Servicer in connection with the servicing of the Bond Mortgage Loan, payable monthly in arrears as provided in the Reimbursement Agreement.

“*Ordinary Trustee’s Fees and Expenses*” means the annual administration fee for the Trustee’s ordinary fees and expenses in rendering its services under this Indenture as Trustee during each twelve month period, which fee is equal to (and shall not exceed) \$_____ and

shall be payable annually in advance on the Delivery Date and each February 1 thereafter commencing February 1, 2010.

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

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

Bonds for the payment, redemption or purchase for cancellation of which sufficient money has been deposited prior to such date with the Trustee (whether upon or prior to the maturity, amortization or redemption date of any such Bonds), or which are deemed to have been paid and discharged pursuant to the provisions of Section 9.01 hereof; provided that if such Bonds are to be redeemed prior to the maturity thereof, other than by scheduled amortization, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee; and

Bonds in lieu of which others have been authenticated (or payment, when due, of which is made without replacement) under Section 2.07 hereof; and also except that

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

“*Paying Agent*” means the Trustee acting as such, and any other paying agent appointed pursuant to this Indenture.

“*Person*” means an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated association, a limited liability company or a

government or any agency or political subdivision thereof, or any other organization or entity (whether governmental or private).

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

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

“Principal Office of the Remarketing Agent” means the office of the Remarketing Agent referenced in Section 11.05(a) hereof or such other office or offices as the Remarketing Agent may designate from time to time, or the office of any successor Remarketing Agent where it principally conducts its business of serving as remarketing agent under indentures pursuant to which municipal or governmental obligations are issued.

“Principal Office of the Tender Agent” means the office of the Tender Agent referenced in Section 11.05(a) hereof or such other office or offices as the Tender Agent may designate from time to time, or the office of any successor Tender Agent where it principally conducts its business of serving as tender agent under indentures pursuant to which municipal or governmental obligations are issued.

“Principal Office of the Trustee” means the office of the Trustee referenced in Section 11.05(a) hereof or such other office or offices as the Trustee may designate from time to time, or the office of any successor Trustee where it principally conducts its business of serving as trustee under indentures pursuant to which municipal or governmental obligations are issued.

“Principal Reserve Fund” means the Principal Reserve Fund established by the Trustee pursuant to Section 4.02 hereof.

“Principal Reserve Schedule” means the Principal Reserve Schedule calculated in accordance with, and attached as Exhibit A to, the Reimbursement Agreement, as the same may be amended from time to time.

“Principal Reserve Schedule Payments” means the payments to be made by the Borrower in accordance with the Principal Reserve Schedule as set forth in the Reimbursement Agreement.

“Project” means the land and residential rental apartment units, and related fixtures, equipment, furnishings and site improvements known as Shadow Way Apartments located at 4707 Yuma Avenue, Oceanside, California, including the real estate described in the Bond Mortgage.

“*Purchased Bond*” means any Bond during the period from and including the date of its purchase by the Trustee on behalf of the Borrower with amounts provided by the Credit Facility Provider under the Credit Facility, to, but excluding, the date on which such Bond is remarketed to any Person other than the Credit Facility Provider, the Borrower, any general partner, member or guarantor of the Borrower or the Issuer. All Purchased Bonds are to be held in certificated form under and pursuant to the Pledge Agreement.

“*Purchase Price*,” with respect to any Bond required to be purchased pursuant to Sections 2.02, 2.13, 10.01 and 10.02 hereof, means the principal amount of such Bond plus interest accrued thereon to the Settlement Date and with respect to any Bond to be purchased pursuant to Section 3.06 hereof means the principal amount of such Bond plus any redemption premium due thereon plus interest accrued thereon to the Settlement Date.

“*Qualified Investments*” means any of the following if and to the extent permitted by law: (a) direct and general obligations of the United States of America; (b) obligations of any agency or instrumentality of the United States the payment of the principal of and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America; (c) senior debt obligations of Freddie Mac; (d) senior debt obligations of Fannie Mae; (e) demand deposits or time deposits with, or certificates of deposit issued by, the Trustee or its affiliates or any bank organized under the laws of the United States or any state or the District of Columbia which has combined capital, surplus and undivided profits of not less than \$50,000,000; provided that the Trustee or such other institution has been rated at least “VMIG-1”/“A-1+” by Moody’s/S&P which deposits or certificates are fully insured by the Federal Deposit Insurance Corporation; (f) investment agreements with Freddie Mac or a bank or any insurance company or other financial institution which has a rating assigned by Moody’s/S&P to its outstanding long-term unsecured debt which is the highest rating (as defined below) for long-term unsecured debt obligations assigned by Moody’s/S&P, and which are approved by the Credit Facility Provider; or (g) shares or units in any money market mutual fund (including mutual funds of the Trustee or its affiliates) registered under the Investment Company Act of 1940, as amended, whose investment portfolio consists solely of direct obligations of the United States government, and which fund has been rated “Aaa”/“AAA” by Moody’s/S&P or (h) any other investments approved in writing by the Credit Facility Provider. For purposes of this definition, the “highest rating” shall mean a rating of at least “VMIG-1”/“A-1+” for obligations with less than one year maturity; at least “Aaa”/“VMIG-1”/“AAA”/“A-1+” for obligations with a maturity of one year or greater but less than three years; and at least “Aaa”/“AAA” for obligations with a maturity of three years or greater. Qualified Investments must be limited to instruments that have a predetermined fixed-dollar amount of principal due at maturity that cannot vary or change and interest, if tied to an index, shall be tied to a single interest rate index plus a single fixed spread, if any, and move proportionately with such index.

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

“*Rebate Analyst*” means a certified public accountant, financial analyst or bond counsel, or any firm of the foregoing, or financial institution (which may include the Trustee) experienced in making the arbitrage and rebate calculations required pursuant to Section 148 of the 1986

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

“Rebate Fund” means the Rebate Fund established by the Trustee pursuant to Section 4.02 hereof.

“Record Date” means during any Variable Period, the Business Day immediately preceding an Interest Payment Date and during any Reset Period or the Fixed Rate Period, the 15th day of the calendar month preceding the calendar month in which any Interest Payment Date falls.

“Redemption Fund” means the Redemption Fund established by the Trustee pursuant to Section 4.02 hereof.

“Rehabilitation Costs of the Project” means the costs of the acquisition, rehabilitation and equipping of the Project.

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

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

“Reimbursement Security Documents” has the meaning ascribed thereto in the Reimbursement Agreement.

“Remarketing Agent” means the remarketing agent appointed pursuant to Section 10.05 hereof or any successors or assigns to the Remarketing Agent. With respect to the Remarketing Agent, the term “successors” shall include any entity to which the Remarketing Agent transfers its remarketing activities, provided that any successor entity otherwise satisfies the Credit Facility Provider’s then-applicable standards for approved remarketing agents.

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

“Remarketing Date” means each date on which the Remarketing Agent is required to notify the Trustee, the Tender Agent, the Borrower and the Credit Facility Provider of the Bonds for which it has found purchasers, as set forth in Section 10.03 hereof.

[*“Repair Agreement”* means the Repair [Escrow] Agreement dated as of the date of this Indenture by and between the Borrower and Credit Facility Provider, as amended, modified or supplemented.]

[*“Rehabilitation Escrow Agreement”* means the Rehabilitation Escrow Agreement dated as of the date of this Indenture by and between the Borrower and Credit Facility Provider, as amended, modified or supplemented.]

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

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

“Reset Rate” means the rate of interest borne by the Bonds as determined in accordance with Section 2.02(c) hereof.

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

“Revenue Fund” means the Revenue Fund established by the Trustee pursuant to Section 4.02 hereof.

“Revenues” means (a) all payments made with respect to the Bond Mortgage Loan pursuant to the Financing Agreement, the Bond Mortgage Note or the Bond Mortgage, including all casualty or other insurance benefits and condemnation awards paid in connection therewith (subject in all events to the interests of the Credit Facility Provider therein under the terms of the Credit Facility and the Reimbursement Agreement), (b) payments made by the Credit Facility Provider pursuant to the Credit Facility and (c) all money and securities held by the Trustee in the funds and accounts established pursuant to this Indenture (excluding money or securities in the Cost of Issuance Fund, the Bond Purchase Fund, the Principal Reserve Fund and the Rebate Fund), together with all investment earnings thereon. Principal Reserve Schedule Payments shall not constitute Revenues under this Indenture.

“Schedule of Work” means the Schedule of Work attached as an exhibit to the [Repair Agreement] [Rehabilitation Escrow Agreement] as it may from time to time be amended, modified or supplemented.

“Securities Depository” means (a) The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax: (516) 227-4039 or 4190; or (b) any replacement registered securities depository which has been designated in a certificate of the Issuer delivered to the Trustee and the Credit Facility Provider pursuant to Section 2.12.

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

“*Settlement Date*” means any date on which any Bond is purchased or deemed purchased pursuant to Sections 2.02, 2.13, 3.06, 10.01, 10.02 or 10.04 hereof.

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

“*State*” means the State of California.

“*Substitution Date*” means any Business Day established for the mandatory tender and purchase of the Bonds in connection with the delivery to the Trustee of an Alternate Credit Facility pursuant to Section 2.13 hereof.

“*Tax Certificate*” means the _____ dated the Delivery Date, executed and delivered by the Issuer and Borrower, as amended, supplemented or restated from time to time.

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

“*Tender Agent*” means the Tender Agent appointed in accordance with Section 10.07.

“*Tender Notice*” means a notice of demand for purchase of Bonds given by any Bondholder pursuant to Section 10.01 hereof.

“*Trustee*” means The Bank of New York Mellon Trust Company, N.A., a banking association organized under the laws of the United States, with its designated corporate trust office in San Francisco, California, and its successors in trust hereunder.

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

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

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

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

“*Variable Period*” means each period during which the Bonds bear interest at a Variable Rate.

“*Variable Rate*” means the variable rate of interest borne by the Bonds as determined in accordance with Section 2.02(b) hereof.

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

“*Washington, D.C. Time*” means Eastern Daylight Time or Eastern Standard Time as then in effect in Washington, D.C.

Section 1.02 Interpretation. The words “hereof,” “herein,” “hereunder,” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa unless the context shall otherwise indicate. All accounting terms not otherwise defined herein shall have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time. References to Articles, Sections, and other subdivisions of this Indenture are to the designated Articles, Sections and other subdivisions of this Indenture as originally executed. The headings of this Indenture are for convenience only and shall not define or limit the provisions hereof.

ARTICLE II

THE BONDS

Section 2.01 *The Bonds.*

(a) The Bonds are authorized to be issued hereunder as revenue bonds of the Issuer in accordance with the Bond Resolution. The Bonds shall initially be designated “City of Oceanside Variable Rate Demand Multifamily Housing Revenue Bonds (Shadow Way Apartments Project) Series 2009.” The Bonds shall be fully registered as to principal and interest, without coupons, and shall be numbered by series, if any, in the manner and with any additional designation as the Trustee, as Bond Registrar, deems necessary for the purpose of identification. All of the Bonds are equally and ratably secured. Bonds issued on the Delivery Date shall be dated such date; Bonds issued after the Delivery Date shall be dated the date they are authenticated by the Trustee.

(b) Interest on the Bonds during any Variable Period shall be computed on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed. Interest on the Bonds during any Reset Period or Fixed Rate Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds shall be payable on each Interest Payment Date, in each case from the Interest Payment Date next preceding the date of

authentication thereof to which interest has been paid or duly provided for, unless the date of authentication is an Interest Payment Date to which interest has been paid or duly provided for, in which case from the date of authentication of the Bond, or unless no interest has been paid or duly provided for on the Bonds, in which case from the Delivery Date, until payment of the principal of the Bond has been made or duly provided for. Notwithstanding the foregoing, if a Bond is authenticated after a Record Date and before the following Interest Payment Date, such Bond shall bear interest from such Interest Payment Date; provided, however, that if there shall be a default in the payment of interest due on such Interest Payment Date, then the Bonds shall bear interest from the next preceding Interest Payment Date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for on the Bonds, from the Delivery Date.

(c) The Bonds shall be issued in Authorized Denominations and shall bear interest payable on each Interest Payment Date at the rate per annum determined as provided in Section 2.02 below. The Bonds shall mature, subject to redemption prior to maturity as provided in Article III hereof, on _____ 1, 20__.

(d) The Person in whose name any Bond is registered on the Record Date with respect to an Interest Payment Date shall be entitled to receive the interest payable on such Interest Payment Date (unless such Bond has been called for redemption on a redemption date which is prior to such Interest Payment Date) notwithstanding the cancellation of such Bond upon any registration of transfer or exchange thereof subsequent to such Record Date and prior to such Interest Payment Date; provided, however, that if and to the extent the Issuer shall default in the payment of the interest due on any Interest Payment Date, such defaulted interest shall be paid as provided in the next paragraph.

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

(f) Payment of principal of the Bonds and premium, if any, shall be made upon presentation and surrender of the Bonds at the Principal Office of the Trustee. Interest on the

Bonds shall be paid by check mailed to the registered Owner thereof at such registered Owner's address as it appears on the Bond Register on the Record Date. Upon written request of a registered Owner of at least \$1,000,000 in principal amount of Bonds Outstanding received by the Trustee at least five (5) days prior to a Record Date, all payments of principal, premium, if any, and interest on the Bonds, less any reasonable wire transfer fees imposed by the Trustee, shall be paid by wire transfer in immediately available funds to an account within the continental United States designated by such registered Owner. Payment of the Purchase Price of any Bonds tendered for purchase on a Settlement Date shall be payable in lawful money of the United States of America only upon presentation thereof at the Principal Office of the Tender Agent.

(g) Before the date fixed for redemption, money shall be deposited with the Trustee to pay, and the Trustee is hereby authorized and directed to apply such money to the payment of, the Bonds or portions thereof called for redemption, together with accrued interest thereon to the redemption date. CUSIP number identification with appropriate dollar amounts for each CUSIP number must accompany all payments of principal, redemption price, premium, if any, and interest, whether by check or by wire transfer.

(h) No Bonds may be issued under the provisions of this Indenture except in accordance with this Article. The total principal amount of Bonds that may be issued hereunder, or in substitution for other Bonds pursuant to Section 2.07 hereof, is expressly limited to \$15,000,000 in principal amount of Bonds.

Section 2.02 *Determination of Interest Rate on the Bonds.*

(a) *Initial Rate.* The Bonds shall initially bear interest at Variable Rates as described in subsection (b) of this Section, until the first Reset Adjustment Date or Fixed Rate Adjustment Date, if any, and thereafter shall bear interest at the applicable rates set forth in this Section.

(b) *Variable Rate.* The Bonds shall bear interest from and including the Delivery Date to and including the immediately succeeding Variable Interest Computation Date at a Variable Rate agreed to by the Remarketing Agent and the Issuer, and thereafter shall bear interest at a Variable Rate for each Variable Interest Accrual Period as determined by the Remarketing Agent on each Variable Interest Computation Date until adjusted to a Reset Rate or Fixed Rate as provided herein.

The Variable Rates for each Variable Interest Accrual Period determined by the Remarketing Agent on each Variable Interest Computation Date shall be that rate of interest which, if borne by such Bonds, would, in the reasonable professional judgment of the Remarketing Agent, on the basis of prevailing financial market conditions, be the interest rate necessary, but which would not exceed the interest rate necessary, to be borne by such Bonds in order for the market value of such Bonds on such Variable Interest Computation Date to be equal to 100% of the principal amount thereof (disregarding accrued interest) if such Bonds were sold on such Variable Interest Computation Date; provided, however, that in no event shall the Variable Rate at any time exceed the Maximum Rate. If for any reason the Remarketing Agent shall fail to determine the rates of interest or if the rates of interest determined by the Remarketing Agent is held to be invalid or unenforceable for any Variable Interest Accrual

Period, then the Variable Rate for such Variable Interest Accrual Period shall be the applicable Index Rate in effect on the applicable Variable Interest Computation Date.

For each Variable Interest Accrual Period, the Variable Rates determined by the Remarketing Agent shall be communicated by electronic mail to the Trustee, the Tender Agent, the Borrower, the Servicer and the Credit Facility Provider as provided in Section 10.05 hereof, on the Variable Interest Computation Date. The determination of the Variable Rates by the Remarketing Agent shall (in the absence of manifest error) be conclusive and binding on the Owners of the Bonds, the Issuer, the Borrower, the Credit Facility Provider, the Servicer, the Remarketing Agent, the Tender Agent and the Trustee, and each shall be protected in relying on it.

Following any Reset Adjustment Date, the interest rates on the Bonds may be converted again to Variable Rates at the election or deemed election of the Borrower in accordance with the procedures in Section 2.02(c) hereof, which date of adjustment to Variable Rate shall be the Variable Rate Adjustment Date. The Trustee shall give notice to the Bondholders, by first class mail not less than nine (9) days before the Variable Rate Adjustment Date specifying: (i) the Variable Rate Adjustment Date, and that the interest rates on the Bonds will be established at the Variable Rates on the Variable Rate Adjustment Date; and (ii) that all Bonds must be tendered for purchase at the Purchase Price and surrendered to the Tender Agent for purchase not later than 9:30 a.m., Washington, D.C. time, on the Variable Rate Adjustment Date.

(c) *Reset Rate.* At the written request of the Borrower with the prior written consent of the Credit Facility Provider or at the written request of the Credit Facility Provider on behalf of the Borrower if the Borrower has not provided the Credit Facility Provider proof satisfactory to it of the extension or substitution of a Hedge Agreement satisfying the requirements of the Reimbursement Agreement not later than sixty (60) days prior to the expiration of any Hedge Agreement, the rates of interest on the Bonds may be established at Reset Rates on any Interest Payment Date during a Variable Period or on any Reset Adjustment Date, in accordance with the procedures set forth in this subsection (c). In order to effect establishment of Reset Rates, the Borrower must deliver such written request (and consent of the Credit Facility Provider), or, if applicable, the Credit Facility Provider on behalf of the Borrower must deliver such written request, to the Trustee, the Issuer, the Credit Facility Provider, the Servicer, the Tender Agent and the Remarketing Agent specifying (i) the Reset Adjustment Date, which shall be not less than forty (40) days after notice is received by the parties, (ii) any sinking fund redemption amounts for each Interest Payment Date, as provided in Section 3.01(c), at a price equal to the principal amount of Bonds subject to redemption plus interest accrued thereon to the date fixed for redemption, without premium, pursuant to Section 3.01(b)(v) hereof and any applicable optional redemption provisions pursuant to Section 3.01(a) hereof, (iii) the proposed duration of the Reset Period, which shall be at least five (5) years (ten (10) years so long as the Credit Enhancement Agreement is the Credit Facility) or such shorter period as may be consented to in writing by the Credit Facility Provider, and shall terminate not later than the Business Day before the last Interest Payment Date preceding the (A) "Termination Date" (as defined in the Credit Enhancement Agreement) if the Credit Enhancement Agreement is the Credit Facility to be effective with respect to the Bonds during such Reset Period and (B) the expiration of the Credit Facility if the Credit Enhancement Agreement is not the Credit Facility to be effective with respect to the Bonds during such Reset Period, and (iv) the date on which the Reset Rate will be

determined by the Remarketing Agent, which date shall be not later than the Business Day immediately prior to the Reset Adjustment Date.

Except as noted in the paragraph immediately below, the Trustee shall give notice to the Owners of the Bonds of the Reset Adjustment Date by first class mail not less than nine (9) days before the Reset Adjustment Date, provided that not less than five (5) Business Days prior to the Trustee giving such notice the Borrower shall have delivered or caused to be delivered to the Trustee (1) an opinion of Bond Counsel to the effect that the establishment of the Reset Rate for the Reset Period in accordance with the procedure described in this subsection (c) is permitted by this Indenture and the Act and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes, (2) if Bonds are to be held publicly after the Reset Adjustment Date, either an irrevocable commitment (which commitment may be subject to customary commercial conditions) of an Alternate Credit Facility Provider to issue an Alternate Credit Facility to be in effect upon and after the Reset Adjustment Date, together with accompanying documentation required by Section 5.4 of the Financing Agreement or the irrevocable written commitment of the Credit Facility Provider for an amendment to the Credit Facility to fulfill the Interest Requirement and, if applicable, to extend the termination date of the Credit Facility, (3) the form of notice to be given by the Trustee to the Bondholders with respect to the establishment of a Reset Rate (which form shall include (i) the Reset Adjustment Date, (ii) that the interest rate on the Bonds will be established at the Reset Rate on the Reset Adjustment Date; (iii) that all Bonds must be tendered for purchase at the Purchase Price and surrendered to the Tender Agent for purchase not later than 9:30 a.m., Washington, D.C. time, on the Reset Adjustment Date; and (iv) that the Reset Rate Adjustment Date (but not the mandatory tender of Bonds on the proposed Reset Rate Adjustment Date) is subject to cancellation upon receipt by the Trustee of notice from the Remarketing Agent that a Market Risk Event has occurred), (4) payment to the Trustee and the Issuer of such amounts as the Trustee and the Issuer reasonably determine may be required in connection with the establishment of the Reset Rate, including, but not limited to, its own fees and expenses (including those of its counsel) and the cost of printing new Bonds, (5) the proposed form of disclosure document, if any, to be distributed in connection with the remarketing of the Bonds on the Reset Adjustment Date and an undertaking of the Borrower which satisfies any applicable requirements of Rule 15c2-12 of the Securities Exchange Act of 1934, and (6) if Bonds are to be held publicly after the Reset Adjustment Date and an Alternate Credit Facility is being delivered on such date, written evidence from the Rating Agency to the effect that the Bonds will be rated at least “Aa”/“P-1” by Moody’s or “AA”/“A-1” by S&P, without regard to pluses or minuses (or such lower ratings as shall be approved by the Issuer) on such Reset Adjustment Date.

If (i) the Credit Facility to be in effect upon and after a Reset Adjustment Date or (ii) an irrevocable commitment described in (2) of the preceding paragraph is not delivered to the Trustee in escrow at least fifteen (15) days before the applicable Reset Adjustment Date, or if on any Business Day at least ten (10) days before the applicable Reset Adjustment Date, the Trustee receives notice from the Borrower or the Credit Facility Provider that it no longer wishes to proceed with the adjustment to a Reset Rate or from the Remarketing Agent that a Market Risk Event has occurred, the Trustee shall not give the notice specified in the above paragraph to the Owners of the Bonds. In the event that the Trustee receives notice from the Remarketing Agent that a Market Risk Event has occurred after giving the notice specified in the above paragraph to the Owners of the Bonds, the Trustee shall notify the Owners of the Bonds that the Reset

Adjustment Date, but not the mandatory tender of Bonds on the proposed Reset Adjustment Date, has been cancelled. In such event, the Bonds shall (1) continue to bear interest at a Variable Rate if the Bonds then bear interest at a Variable Rate, or (2) if the Bonds then bear interest at a Reset Rate, on the day following the Reset Period, the Bonds shall be redeemed or purchased in lieu thereof pursuant to Section 3.01(b)(vi) or Section 3.06 hereof, as applicable.

Any Bond not tendered to the Tender Agent for purchase in accordance with the provisions of this subsection (c) on a Reset Adjustment Date (including a canceled Reset Adjustment Date) shall be deemed to have been tendered for purchase on such Reset Adjustment Date pursuant to Section 10.01 hereof for all purposes of this Indenture, including particularly Article X hereof; provided, however, payment on such Bonds shall only be made upon presentation thereof.

From and after each Reset Adjustment Date until the last day of the related Reset Period, the Bonds shall bear interest at the applicable Reset Rate. The Reset Rate shall be the rates of interest, determined by the Remarketing Agent on the date specified in the notice from the Borrower referred to in the first paragraph of this subsection (c), which, if borne by the Bonds, would, in the reasonable professional judgment of the Remarketing Agent, on the basis of prevailing financial market conditions, be the interest rate necessary, but which would not exceed the interest rate necessary, to be borne by the Bonds in order for the market value of the Bonds on such date to be equal to 100% of the principal amount thereof (disregarding accrued interest); provided, however, that in no event shall any Reset Rate exceed the Maximum Rate.

The determination of a Reset Rates by the Remarketing Agent in accordance with the provisions of this subsection (c) shall (in the absence of manifest error) be conclusive and binding upon the Owners of the Bonds, the Issuer, the Servicer, the Credit Facility Provider, the Remarketing Agent, the Borrower, the Tender Agent and the Trustee, and each shall be protected in relying on it.

At least 40 and not more than 50 days prior to the final Interest Payment Date of a Reset Period, the Borrower shall elect to have the Bonds bear interest from and after such Interest Payment Date at a Reset Rate for a new Reset Period or at a Variable Rate or Fixed Rate by giving written notice of such election to the Trustee, the Tender Agent, the Issuer, the Credit Facility Provider, the Servicer and the Remarketing Agent. If the Borrower elects to have the Bonds bear interest at a Variable Rate or fails to make such election, the Borrower shall be deemed to have elected to have the Bonds bear interest at a Variable Rate determined in accordance with the procedures set forth in subsection (b) of this Section commencing on the day immediately following the last day of the Reset Period, in which event there shall be no mandatory sinking fund redemption schedule for the Bonds during the succeeding Variable Period. Notwithstanding the election of the Borrower to have the Bonds bear interest at a new Reset Rate, a Variable Rate or a Fixed Rate, as the case may be, at the end of a Reset Period or the deemed election of the Borrower to have the Bonds bear interest at a Variable Rate, if the Borrower fails to supply the items required by this subsection (c) or subsection (d), as applicable, of this Section 2.02, the Bonds shall be redeemed (or purchased in lieu thereof) on the day following such Reset Period pursuant to Section 3.01(b)(vi) or 3.06 hereof, as applicable.

(d) *Fixed Rate.* At the written request of the Borrower with the prior written consent of the Credit Facility Provider or at the written request of the Credit Facility Provider on behalf of the Borrower if the Borrower has not provided the Credit Facility Provider proof satisfactory to it of the extension or substitution of a Hedge Agreement satisfying the requirements of the Reimbursement Agreement not later than sixty (60) days prior to the expiration of any Hedge Agreement, the rates of interest on the Bonds may be established at Fixed Rates on any Interest Payment Date during a Variable Period or on the day following any Reset Period, in accordance with the procedures set forth in this subsection (d). In order to effect a Fixed Rate Adjustment, the Borrower must deliver such written request (and consent of the Credit Facility Provider), or, if applicable, the Credit Facility Provider on behalf of the Borrower must deliver such written request to the Trustee, the Issuer, the Credit Facility Provider, the Servicer, the Tender Agent and the Remarketing Agent specifying (i) the Fixed Rate Adjustment Date, which shall be not less than forty (40) days after such notice is received by such parties, (ii) any sinking fund redemption amounts for each Interest Payment Date, as provided in Section 3.01(c), at a price equal to the principal amount of Bonds subject to redemption plus interest accrued thereon to the date fixed for redemption, without premium, pursuant to Section 3.01(b)(v) hereof and any applicable optional redemption provision pursuant to Section 3.01(a) hereof, and (iii) the date on which the Fixed Rate will be determined by the Remarketing Agent, which date shall be not later than the Business Day immediately prior to the Fixed Rate Adjustment Date. Such notice must be followed, except as noted in the paragraph immediately below, on or before the date that is five (5) Business Days prior to notice being given by the Trustee to the Bondholders with respect to Fixed Rate Adjustment, by (1) an opinion of Bond Counsel to the effect that Fixed Rate Adjustment in accordance with the procedures described in this subsection (d) is permitted by this Indenture and the Act and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes, (2) if Bonds are to be held publicly after the Fixed Rate Adjustment Date, either an irrevocable commitment (which commitment may be subject to customary commercial conditions) of an Alternate Credit Facility Provider to issue an Alternate Credit Facility to be in effect upon and after Fixed Rate Adjustment and until the maturity date of the Bonds, together with accompanying documentation required by Section 5.4 of the Financing Agreement or the irrevocable written commitment of the Credit Facility Provider for an amendment to the Credit Facility to fulfill the Interest Requirement and, if applicable, to extend the termination date of the Credit Facility, (3) the form of notice to be given by the Trustee to the Owners of the Bonds with respect to the Fixed Rate Adjustment, (4) payment to the Trustee and the Issuer of such amounts as the Trustee and the Issuer reasonably determine may be required in connection with the Fixed Rate Adjustment, including, but not limited to, its own fees and expenses (including those of its counsel) and the cost of printing new Bonds, (5) the proposed form of disclosure document (if any) to be distributed in connection with the remarketing of the Bonds on the Fixed Rate Adjustment Date and an undertaking of the Borrower which satisfies any applicable requirements of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, and (6) written evidence from the Rating Agency to the effect that the Bonds will be rated at least “Aa” by Moody’s or “AA” by S&P, without regard to pluses or minuses (or such lower ratings as shall be approved by the Issuer) on the Fixed Rate Adjustment Date.

If (i) the Credit Facility to be in effect upon and after the Fixed Rate Adjustment or (ii) an irrevocable commitment described in (2) of the preceding paragraph is not delivered to the Trustee in escrow at least fifteen (15) days before the Fixed Rate Adjustment Date, or if on any

Business Day at least ten (10) days before the Fixed Rate Adjustment Date, the Trustee receives notice from the Borrower to the effect that it no longer wishes to proceed with the Fixed Rate Adjustment, or the Trustee receives written notice from the Remarketing Agent that a Market Risk Event has occurred, the Trustee shall not give the notice specified in the next paragraph to the Owners of the Bonds. In the event that the Trustee receives notice from the Remarketing Agent that a Market Risk Event has occurred after giving the notice specified in the next paragraph to the Owners of the Bonds, the Trustee shall notify the Owners of the Bonds that the Fixed Rate Adjustment, but not the mandatory tender of Bonds on the proposed Fixed Rate Adjustment Date, has been cancelled. In such event, (1) if the Bonds bear interest at a Variable Rate prior to the proposed Fixed Rate Adjustment Date, they shall continue to bear interest at a Variable Rate, and (2) if the proposed Fixed Rate Adjustment Date was to be the day following a Reset Period, then the Bonds shall be redeemed (or purchased in lieu thereof) on the day following such Reset Period pursuant to Section 3.01(b)(vi) or Section 3.06 hereof, as applicable.

The Trustee shall give notice to the Owners of the Bonds, by first class mail not less than nine (9) days before the Fixed Rate Adjustment Date, specifying: (i) the Fixed Rate Adjustment Date, and that the interest rates on the Bonds will be established at the Fixed Rate through the final maturity of the Bonds; (ii) that all Bonds must be tendered for purchase at the Purchase Price and surrendered to the Tender Agent for purchase not later than 9:30 a.m., Washington, D.C. time, on the Fixed Rate Adjustment Date; and (iii) that the Fixed Rate Adjustment Date (but not the mandatory tender of Bonds on the proposed Fixed Rate Adjustment Date) is subject to cancellation upon receipt by the Trustee of notice from the Remarketing Agent that a Market Risk Event has occurred.

Any Bond not tendered to the Tender Agent for purchase in accordance with the provisions of this subsection (d) on the Fixed Rate Adjustment Date (including a canceled Fixed Rate Adjustment Date) shall be deemed to have been tendered for purchase on such Fixed Rate Adjustment Date pursuant to Section 10.01 hereof for all purposes of this Indenture, including particularly Article X hereof; provided, however, payment on such Bonds shall only be made upon presentation thereof.

From and after the Fixed Rate Adjustment Date and until maturity, the Bonds shall bear interest at the Fixed Rate. The Fixed Rate shall be the rates of interest, determined by the Remarketing Agent on the date specified in the notice from the Borrower referred to in the first paragraph of this subsection (d), which, if borne by the Bonds, would, in the reasonable professional judgment of the Remarketing Agent, on the basis of prevailing financial market conditions, be the interest rate necessary, but which would not exceed the interest rate necessary, to be borne by the Bonds in order for the market value of the Bonds on such date to be 100% of the principal amount thereof (disregarding accrued interest); provided, however, that in no event shall any Fixed Rate exceed the Maximum Rate.

The determination of the Fixed Rates by the Remarketing Agent in accordance with the provisions of this subsection (d) shall (in the absence of manifest error) be conclusive and binding on the Owners of the Bonds, the Issuer, the Credit Facility Provider, the Servicer, the Remarketing Agent, the Borrower, the Tender Agent and the Trustee, and each shall be protected by relying on it.

Section 2.03 Limited Obligations. The Bonds and the interest thereon are limited obligations of the Issuer, payable solely from the Trust Estate pledged therefor under this Indenture, including, without limitation, its interest in payments received under the Bond Mortgage Note and the Credit Facility. None of the United States of America, the State, nor any other political subdivision or body corporate and politic, or agency, of the United States of America, the State or the Issuer (except to the limited extent provided herein) shall in any event be liable for the payment of the principal of, premium, if any, or interest on the Bonds or for the performance of any pledge, obligation or agreement of any kind whatsoever of the Issuer, and neither this Bond nor any of the Issuer's agreements or obligations shall be construed to constitute an indebtedness of the United States of America, the State or any other political subdivision or body corporate and politic of the United States of America, the State or the Issuer (except to the limited extent provided herein), within the meaning of any constitutional or statutory provision whatsoever.

No agreement or obligation contained herein shall be deemed to be an agreement or obligation of any director, officer, employee, commissioner, servant or agent of the Issuer in his or her individual capacity, and neither the directors of the Issuer nor any officer thereof executing any Bond shall be liable personally on such Bond or be subject to any personal liability or accountability by reason of the issuance thereof. No director, officer, employee, commissioner, servant or agent of the Issuer shall incur any personal liability with respect to any other action taken by him or her pursuant to this Indenture.

THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, OR ANY AGENCY OF THE UNITED STATES OF AMERICA, OR FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC. PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS IS NOT GUARANTEED BY FREDDIE MAC. THE OBLIGATIONS OF FREDDIE MAC UNDER THE CREDIT ENHANCEMENT AGREEMENT ARE OBLIGATIONS SOLELY OF FREDDIE MAC AND ARE NOT BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

Section 2.04 Indenture Constitutes Contract. In consideration of the purchase and acceptance of the Bonds issued hereunder by those who shall hold them from time to time, the provisions of this Indenture shall be part of the contract of the Issuer with the Holders of the Bonds and shall be deemed to be a contract between the Issuer and the Holders of the Bonds from time to time.

Section 2.05 Form and Execution. The Bonds shall be in substantially the form attached as Exhibit A, with necessary and appropriate variations, omissions and insertions as are customary, permitted or required by this Indenture. The Bonds shall be executed on behalf of the Issuer by the manual or facsimile signature of the Mayor or Deputy Mayor of the Issuer, and attested by the manual or facsimile signature of the City Clerk of the Issuer. Any facsimile signatures shall have the same force and effect as if said officers had manually signed the Bonds. Any reproduction of the official seal of the Issuer on the Bonds shall have the same force and effect as if the official seal of the Issuer had been impressed on the Bonds.

In case any officer of the Issuer whose manual or facsimile signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery, and also any Bond may bear the facsimile signatures of, or may be signed by, such Persons as at the actual time of the execution of such Bond shall be the proper officers to sign such Bond although at the date of such Bond such Persons may not have been such officers.

Section 2.06 Authentication. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Indenture unless a certificate of authentication on such Bond, substantially in the form set forth in Exhibit A, shall have been duly executed by an Authorized Officer of the Trustee; and such executed certificate of authentication upon any such Bond shall be conclusive evidence that such Bond has been duly executed, registered, authenticated and delivered under this Indenture. It shall not be necessary that the same Person sign the certificate of authentication on all of the Bonds.

Section 2.07 Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Bond is mutilated, lost, stolen or destroyed, the Issuer shall execute and the Trustee shall authenticate a new Bond of like denomination, interest rate, series, maturity and tenor in exchange and substitution for and upon cancellation of such mutilated Bond or in lieu of and in substitution for such lost, stolen or destroyed Bond, upon payment by the Owner thereof of any applicable tax or governmental charge and the reasonable expenses and charges of the Issuer and the Trustee in connection therewith, and in the case of a Bond lost, stolen or destroyed, the filing with the Trustee of evidence satisfactory to it that such Bond was lost, stolen or destroyed, and of the ownership thereof, and furnishing the Issuer and the Trustee with indemnity satisfactory to each of them. In the event any such Bond shall have matured, instead of issuing a duplicate Bond or Bonds the Issuer may pay the same without surrender thereof.

Section 2.08 Transfer and Exchange of Bonds; Persons Treated as Owners. The Trustee as Bond Registrar shall cause a Bond Register to be kept for the registration of transfers of Bonds. Any Bond may be transferred only upon an assignment duly executed by the registered Owner or such registered Owner's duly authorized representative in such form as shall be satisfactory to the Bond Registrar and upon surrender of such Bond to the Trustee for cancellation. Whenever any Bond or Bonds shall be surrendered for transfer, the Issuer shall execute and the Trustee shall authenticate and deliver to the transferee a replacement fully registered Bond or Bonds, of like interest rate, series, maturity and tenor and in Authorized Denomination or Denominations and for the amount of such Bond or Bonds so surrendered.

Any Bond may, in accordance with its terms, be exchanged, at the office of the Trustee, for a new fully registered Bond or Bonds, of the same maturity, of like interest rate, series, maturity and tenor and in any Authorized Denomination or Denominations and for the aggregate principal amount of such Bond then Outstanding.

In all cases in which Bonds shall be transferred or exchanged hereunder, the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

The Person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and payment of or on account of the principal of and premium, if any, and interest on any such Bond shall be made only to or upon the order of the registered Owner thereof, or such registered Owner's legal representative, and neither the Issuer nor the Trustee shall be affected by any notice to the contrary. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums to be paid.

Neither the Issuer nor the Trustee shall be required to make any such exchange, registration or transfer of Bonds during the period of fifteen (15) days immediately preceding an Interest Payment Date if the Bonds bear interest at a Reset Rate or a Fixed Rate, or, in the case of any proposed redemption of Bonds, during the period of fifteen (15) days immediately preceding the selection of Bonds for such redemption and after the giving of notice of redemption, the Trustee is not required to transfer or exchange any Bond or portion thereof which has been called for redemption.

Section 2.09 Temporary Bonds. Until definitive Bonds are ready for delivery, there may be executed, and upon the request of the Issuer the Trustee shall authenticate and deliver, in lieu of definitive Bonds temporary printed, typewritten, engraved or lithographed Bonds, in such denomination or denominations as shall be determined by the Issuer, in fully registered form, in substantially the form hereinabove set forth and with such appropriate omissions, insertions and variations as may be required.

If temporary Bonds shall be issued, the Issuer shall cause the definitive Bonds to be prepared and to be executed and delivered to the Trustee, and the Trustee, upon presentation to it at its principal trust office of any temporary Bond shall cancel the same and authenticate and deliver in exchange therefor, without charge to the Owner thereof, a definitive Bond or Bonds, as the case may be, of an equal aggregate principal amount, of the same maturities, interest rate, series and tenor and bearing interest at the same rates as the temporary Bond surrendered. Until so exchanged the temporary Bonds shall in all respects be entitled to the same benefit and security of this Indenture as the definitive Bonds to be issued and authenticated hereunder. Interest on temporary Bonds, when due and payable, if the definitive Bonds shall not be ready for exchange, shall be paid on presentation of such temporary Bonds and notation of such payment shall be endorsed thereon by the Trustee.

Section 2.10 Delivery of Bonds. Upon the execution and delivery of this Indenture, the Issuer shall execute and deliver to the Trustee, and the Trustee shall authenticate the Bonds and deliver them to or upon the order of the Issuer upon receipt by the Trustee of the following:

(a) executed counterparts of this Indenture, the Financing Agreement, the Tax Regulatory Agreement, the Tax Certificate, the Remarketing Agreement, the Intercreditor Agreement, the Pledge Agreement, the Credit Enhancement Agreement and the Reimbursement Agreement;

(b) an opinion of Bond Counsel to the effect that the Issuer is duly organized and existing under the laws of the State and has duly authorized, executed and delivered this Indenture, other loan documents to which it is a party and the Bonds and that the Bonds are

entitled to the benefits of this Indenture and are valid and binding special, limited obligations of the Issuer enforceable in accordance with their terms subject to customary exceptions;

- (c) sale proceeds of the Bonds, together with accrued interest thereon, if any;
- (d) the Bond Mortgage Note;
- (e) a copy of the executed Bond Mortgage and the Reimbursement Mortgage;

(f) an opinion of counsel to the Borrower to the effect that the Borrower is duly organized and validly existing and in good standing under the laws of the state in which it has been organized and in good standing under the laws of each other state in which the Borrower transacts business and has full power and authority to enter into the agreements described herein to which it is a party, that its execution and delivery of and performance of its covenants in such agreements do not contravene law or any provision of any other agreement to which it is a party or by which it or such property is bound or affected, and that all such agreements have been duly authorized, executed and delivered by the Borrower, and are legal, valid and binding agreements of the Borrower enforceable against the Borrower in accordance with their respective terms;

(g) an opinion of Bond Counsel to the effect that the interest on the Bonds, under laws in effect on the date of such opinion, is excluded from gross income for federal income tax purposes and, where applicable, for State income tax purposes;

(h) a certified copy of the Bond Resolution;

(i) the written request and authorization to the Trustee by the Issuer to authenticate and deliver the Bonds to the initial purchasers thereof upon payment to the Trustee, for the account of the Issuer, of the sum specified as the purchase price therefor in such request and authorization;

(j) receipt by the Trustee of the amounts specified in Section 2.11 of this Indenture and Section 3.3 of the Financing Agreement; and

(k) evidence that the Bonds have been rated “AAA/A-1+” by the Rating Agency.

Section 2.11 Establishment of Bond Mortgage Loan Fund; Application of Bond Proceeds and Other Money; Assignment of Bond Mortgage Loan to Trustee.

(a) The Trustee shall establish, maintain and hold in trust a Bond Mortgage Loan Fund. Money on deposit in the Bond Mortgage Loan Fund shall be invested as provided in Section 4.08 hereof. No amount shall be charged against the Bond Mortgage Loan Fund except as expressly provided in this Section 2.11 and Section 2.11A below.

(b) The proceeds of the sale of the Bonds shall be delivered to the Trustee on the Delivery Date. The Trustee shall deposit such Bond Proceeds in the Bond Mortgage Loan Fund. Amounts in the Bond Mortgage Loan Fund shall be disbursed as provided in subparagraph (d) below. Upon the disbursement of all amounts in the Bond Mortgage Loan Fund, the Trustee shall close the Bond Mortgage Loan Fund. Following the rehabilitation of the Project, any

balance remaining in the Bond Mortgage Loan Fund shall be applied as provided in the Section 2.11A(d) hereto.

(c) The Issuer shall cause the Borrower to deliver to the Trustee, on or prior to the Delivery Date, \$ _____ for deposit to the credit of the Cost of Issuance Fund established pursuant to Section 4.01.

(d) Upon the deposit of money to the credit of the Bond Mortgage Loan Fund, the Trustee shall originate the Bond Mortgage Loan pursuant to the Financing Agreement and the Trustee shall make disbursements of amounts in the Bond Mortgage Loan Fund to the Borrower or otherwise as provided in Section 2.11A hereto.

Section 2.11A Disbursement Procedures; Bond Mortgage Loan Fund Requisitions.

(a) Amounts on deposit in the Bond Mortgage Loan Fund shall be disbursed from time to time by the Trustee for the purpose of paying Rehabilitation Costs of the Project that are approved by the Servicer pursuant to the terms, conditions and provisions of the [Repair Agreement][Rehabilitation Escrow Agreement]. In addition, amounts in the Bond Mortgage Loan Fund may be used for transfer to the Redemption Fund pursuant to Section 2.11A(d). On the Closing Date \$ _____ shall be disbursed from the Bond Mortgage Loan Fund to pay Rehabilitation Costs for the Project.

(b) The Trustee shall make disbursements from the Bond Mortgage Loan Fund for the purposes described in Section 2.11A(a) only upon the receipt of Requisitions, each in the form of **Exhibit E** attached to this Indenture, signed in all cases by an Authorized Officer of the Borrower and countersigned by the Servicer (signifying the approval of the Requisition by the Servicer). The Trustee shall have no duty to determine whether any requested disbursement from the Bond Mortgage Loan Fund complies with the terms, conditions and provisions of the Repair Agreement. A copy of all fully executed Requisitions shall be provided by the Trustee to the Issuer upon receipt. The countersignature of the Servicer on a Requisition shall be deemed a certification and, insofar as the Trustee and the Issuer are concerned, constitute conclusive evidence that all of the terms, conditions and requirements of the Repair Agreement applicable to such disbursement have been fully satisfied or waived. The Trustee shall, immediately upon each receipt of a completed Requisition, initiate procedures to liquidate funds necessary to fund such Requisition.

Notwithstanding anything to the contrary contained herein:

(i) no signature of an Authorized Officer of the Borrower shall be required during any period in which a default has occurred and is then continuing under the Bond Mortgage Loan or the Reimbursement Security Documents (notice of which default has been given in writing by the Credit Facility Provider or the Servicer to the Trustee and the Issuer, and the Trustee shall be entitled to conclusively rely on any such written notice as to the occurrence and continuation of such a default); and

(ii) the Trustee shall disburse amounts in the Bond Mortgage Loan Fund upon receipt of a Requisition signed only by the Servicer (and without any need for any signature by an Authorized Officer of the Borrower), with notice to the Borrower, so long

as the amount to be disbursed is to be used solely to make payments of fees due under the [Repair Agreement][Rehabilitation Escrow Agreement].

(c) If a Requisition signed by the Authorized Officer of the Borrower and countersigned by the Servicer or (as permitted hereunder) solely by the Servicer is received by the Trustee, the requested disbursement shall be paid by the Trustee as soon as practicable, but in no event later than five (5) Business Days following receipt thereof by the Trustee.

Upon final disbursement of all amounts on deposit in the Bond Mortgage Loan Fund, including all interest accrued therein, the Trustee shall close the Bond Mortgage Loan Fund.

(d) Immediately prior to any mandatory redemption of Bonds pursuant to Section 3.01(b)(ii) of this Indenture, any amounts then remaining in the Bond Mortgage Loan Fund shall, at the written direction of the Credit Facility Provider, be transferred to the Redemption Fund to be applied to the redemption of Bonds pursuant to Section 3.01(b)(ii). In addition, any amount remaining in the Mortgage Loan Fund following completion of the acquisition and rehabilitation of the Project, as certified by the Servicer, shall be transferred to the Redemption Fund and used to reimburse the Credit Facility Provider for the related redemption of Bonds in accordance with Section 3.01(b)(vii).

(e) All Investment Income earned on amounts on deposit in the accounts of the Bond Mortgage Loan Fund shall be retained in and credited to and become a part of the amounts on deposit in such accounts of the Bond Mortgage Loan Fund, including any transfers required by Section 2.11A(a) or Section 2.11A(d).

Section 2.12 *Book-Entry Only System of Registration.*

(a) Notwithstanding the foregoing provisions of this Article II, each of the Bonds shall initially be issued in the form of one fully-registered Bond for the aggregate principal amount of the Bonds of each maturity, which Bonds shall be registered in the name of Cede & Co., as nominee of DTC. Except as provided in paragraphs (f) and (g) below, and except with regard to Purchased Bonds issued in registered certificated form in accordance with Section 10.10(b), all of the Bonds shall be registered in the Bond Register in the name of Cede & Co., as nominee of DTC; provided that if DTC shall request that the Bonds be registered in the name of a different nominee, the Trustee shall exchange all or any portion of the Bonds for an equal aggregate principal amount of Bonds registered in the name of such nominee or nominees of DTC. No Person other than DTC or its nominee or any "FAST" agent for DTC shall be entitled to receive from the Issuer or the Trustee either a Bond or any other evidence of ownership of the Bonds, or any right to receive any payment in respect thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the Bonds on the Bond Register in connection with discontinuing the book entry system as provided in paragraph (f) below or otherwise.

(b) So long as the Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal or redemption price of or interest on such Bonds shall be made to DTC or its nominee in same day funds on the dates provided for such payments under this Indenture. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the Issuer and the Trustee with respect to the principal

or redemption price of or interest on the Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Bonds Outstanding of any series or maturity, the Trustee shall not require surrender by DTC or its nominee of the Bonds so redeemed, but DTC (or its nominee) may retain such Bonds and make an appropriate notation on the Bond certificate as to the amount of such partial redemption; provided that DTC shall deliver to the Trustee, upon request, a written confirmation of such partial redemption and thereafter the records maintained by the Trustee shall be conclusive as to the amount of the Bonds of such maturity which have been redeemed.

(c) The Issuer and the Trustee may treat DTC or its nominee as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by Holders and for all other purposes whatsoever; and neither the Issuer nor the Trustee shall be affected by any notice to the contrary. Neither the Issuer nor the Trustee shall have any responsibility or obligation to any participant in DTC, any Person claiming a beneficial ownership interest in the Bonds under or through DTC or any such participant, or any other Person which is not shown on the Bond Register as being a Bondholder, with respect to either: (1) the Bonds; (2) the accuracy of any records maintained by DTC or any such participant; (3) the payment by DTC or any such participant of any amount in respect of the principal or redemption price of or interest on the Bonds; (4) the delivery to any participant or to any other Person, other than the Holders as shown on the Bond Register, of any notice which is permitted or required to be given to Holders under this Indenture; (5) the selection by DTC or any such participant of any Person to receive payment in the event of a partial redemption of the Bonds; or (6) any consent given or other action taken by DTC as Holder.

(d) So long as the Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all notices required or permitted to be given to the Holders under this Indenture shall be given to DTC as provided in DTC's procedures, as the same may be amended from time to time.

(e) In connection with any notice or other communication to be provided to Holders pursuant to this Indenture by the Issuer or the Trustee with respect to any consent or other action to be taken by Holders, DTC shall consider the date of receipt of notice requesting such consent or other action as the record date for such consent or other action, provided that the Issuer or the Trustee may establish a special record date for such consent or other action. The Issuer or the Trustee shall give DTC notice of such special record date not less than 15 calendar days in advance of such special record date to the extent possible.

(f) The book-entry system for registration of the ownership of the Bonds may be discontinued at any time if either: (1) DTC determines to resign as securities depository for the Bonds; or (2) the Issuer determines (with the prior written consent of the Credit Facility Provider) to discontinue the system of book-entry transfers through DTC (or through a successor securities depository) subject to the rules and regulations of DTC regarding the discontinuation of the system of book-entry transfers in effect at such time. In either of such events (unless, in the case described in clause (2) above, the Issuer appoints a successor securities depository), the

Bonds shall be delivered in registered certificate form to such Persons, and in such series, maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Trustee for the accuracy of such designation. Whenever DTC requests the Issuer and the Trustee to do so, the Issuer and the Trustee shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

(g) The book-entry system for registration of the ownership of the Bonds shall be discontinued in the event that the Bonds are purchased in lieu of redemption pursuant to Section 3.06 hereof. In such event, the Bonds shall be in the form of a single registered Bond, subject to transfer only upon execution and delivery by the transferee of an investment letter in the form attached hereto as Exhibit C.

Section 2.13 *Mandatory Tender of Bonds on Substitution Date.* Except during the Fixed Rate Period, the Borrower, pursuant to Section 5.4 of the Financing Agreement, is permitted with the written confirmation to the Trustee of the Credit Facility Provider that the provisions of the Reimbursement Agreement have been satisfied, to provide an Alternate Credit Facility to replace the then outstanding Credit Facility at the times specified in the Financing Agreement.

(a) The Bonds shall be subject to mandatory tender for purchase on any Substitution Date from the sources available pursuant to Sections 10.03 and 10.04, at a Purchase Price equal to the principal amount thereof plus accrued interest to the Substitution Date.

(b) Upon receipt by the Trustee of (i) notice from the Borrower of a planned substitution, (ii) the aforementioned confirmation of the Credit Facility Provider; (iii) a form of the Alternate Credit Facility to be in effect on and after the Substitution Date and an irrevocable commitment to deliver such Alternate Credit Facility; (iv) a form of the disclosure document (if any) to be used in connection with the remarketing of the Bonds on the Substitution Date, and (v) a form of the documents required pursuant to Section 5.4 of the Financing Agreement, the Trustee shall establish the Substitution Date for the mandatory tender and purchase of the Bonds. Such Substitution Date shall be not less than five (5) days following the Trustee's receipt of the Alternate Credit Facility to be in effect on and after the Substitution Date (which Alternate Credit Facility may be delivered in escrow), and such other required documents; provided, however, the Substitution Date may be at a later date if the Trustee has received a commitment to extend the existing Credit Facility or the existing Credit Facility will be in place for up to a time period of not less than fifteen (15) days following the Trustee's receipt of the Alternate Credit Facility.

(c) The Trustee shall give notice to the Owners of the Bonds, by first class mail not less than nine (9) days before the Substitution Date specifying: (a) the Substitution Date and (b) that all Bonds must be surrendered to the Tender Agent for purchase not later than 9:30 a.m., Washington, D.C. time, on the Substitution Date. Any Bond tendered or deemed tendered on a Substitution Date and not successfully remarketed shall be purchased using funds drawn by the Trustee under the existing Credit Facility pursuant to Section 10.04 hereof, and if all Bonds are not successfully remarketed on any proposed Substitution Date, the proposed substitution of the Alternate Credit Facility shall not occur (though the mandatory tender of the Bonds shall still be

required), and the Trustee shall send subsequent notice to Bond Owners that the substitution did not occur.

(d) Any Bond not tendered to the Tender Agent for purchase in accordance with the provisions of this Section 2.13 on the Substitution Date (including any Substitution Date which fails to occur) shall be deemed to have been tendered for purchase on such Substitution Date pursuant to Section 10.02 hereof for all purposes of this Indenture, including particularly Article X hereof; provided, however, payment on such Bonds shall only be made upon presentation thereof.

ARTICLE III

REDEMPTION OF BONDS PRIOR TO MATURITY

Section 3.01 *Redemption of Bonds Prior to Maturity.*

(a) Optional Redemption.

(i) The Bonds are subject to optional redemption with the prior written consent of the Credit Facility Provider which consent shall not be unreasonably withheld, conditioned or delayed, in whole or in part, upon optional prepayments on the Bond Mortgage Loan in accordance with the prepayment restrictions set forth in the Bond Mortgage Note and Section 4.4 of the Financing Agreement from payments made under the Credit Facility (subject to the limitations set forth in Section 3.01(a)(iv)) or other Eligible Funds deposited with the Trustee as follows:

(A) During the Variable Period, on any date, at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date.

(B) During a Reset Period or the Fixed Rate Period, on any date during the periods set forth in the table below and at the respective redemption prices set forth below expressed as percentages of the principal amounts of the Bonds called for redemption, such redemption prices declining as set forth below until such redemption price equals 100% of the principal amount of the Bonds, plus accrued interest, if any, to the redemption date:

Term of Reset Period or Fixed Rate Period	Redemption Prices as a Percentage of Principal Amounts	Earliest Call Date
Greater than 15 years	103% after 10 years declining 1% per 12 months to 100%	10 years
Greater than 10 and less than or equal to 15	102% after 7 years declining 1% per 12 months to 100%	7 years
Less than or equal to 10 and greater than 7	102% after 4 years declining ½% per 12 months to 100%	4 years
Less than or equal to 7 and greater than 5	102% after 3 years declining 1% per 12 months to 100%	3 years
Less than or equal to 5 and greater than 2	101% after 2 nd year declining ½% per 6 months to 100%	2 years
Less than or equal to 2 and greater than 1	100-½% after 1 st year declining ½% per 6 months to 100%	1 year
Equal to 1 year	100% after 6 months	6 months

provided that, notwithstanding the foregoing, the Borrower and the Remarketing Agent may, not later than fifteen (15) days before the Reset Adjustment Date or Fixed Rate Adjustment Date, as applicable, give notice to the Issuer, the Credit Facility Provider, the Servicer, and the Trustee setting forth a redemption schedule different from that set forth in this paragraph, accompanied by (1) the written consent of the Credit Facility Provider, if any, to be in effect for the ensuing Reset Period or Fixed Rate Period, as applicable, and (2) an opinion of Bond Counsel to the effect that such change will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes; and upon such notice and delivery of the consent and the opinion, such different redemption schedule shall apply to any redemption pursuant to this paragraph for such Reset Period or Fixed Rate Period, as applicable, without further action by any party.

(ii) While the Bonds are registered in the name of the Borrower pursuant to the Pledge Agreement, or on behalf of the Credit Facility Provider, in such other name as the Credit Facility Provider shall have directed, as a result of a mandatory tender for purchase of the Bonds pursuant to Section 3.06 hereof, the Bonds are subject to redemption, in whole or in part, on any date, at the option of the Credit Facility Provider, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium, from Eligible Funds or any other money acceptable to the Credit Facility Provider deposited with the Trustee.

(iii) Optional redemption of Bonds at a premium may only be made if the Trustee shall have received Eligible Funds (not consisting of funds drawn under the Credit Facility) on or prior to the redemption date in an amount sufficient to pay the applicable redemption premium.

(iv) The Trustee shall effect a redemption of Bonds pursuant to this Section 3.01(a) at the earliest practical date for which notice may be given hereunder but in no event later than 35 days following its receipt of moneys representing an optional prepayment of the Bond Mortgage Loan.

(b) **Mandatory Redemption.** The Bonds are subject to mandatory redemption on any date, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium, at the earliest practicable date from payments made under the Credit Facility upon the occurrence of any of the following:

(i) in whole or in part, upon receipt by the Trustee of (1) proceeds of a draw under the Credit Facility, in the amount of Net Proceeds representing casualty insurance proceeds or condemnation awards paid as a prepayment of the Bond Mortgage Loan, such amount to be applied to reimburse the Credit Facility Provider for the draw under the Credit Facility as a result of casualty or condemnation of the Project and (2) a written direction by the Credit Facility Provider to redeem such Bonds using money obtained as a result of a draw upon the Credit Facility; or

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

(iii) in whole, on the last Business Day which is not less than five days before the date of expiration of any Credit Facility unless the Trustee receives a renewal or extension of or replacement for such Credit Facility meeting the requirements of Section 5.4 of the Financing Agreement or, in the case of a replacement of the Credit Facility in connection with a Reset Adjustment Date or the Fixed Rate Adjustment Date pursuant to Section 2.02(c) or (d), an irrevocable commitment of an entity to issue an Alternate Credit Facility to be in effect upon and after such Reset Adjustment Date or Fixed Rate Adjustment Date, in each case not less than thirty (30) days before the expiration of the then-existing Credit Facility; or

(iv) in part, in Authorized Denominations at the written direction of the Credit Facility Provider (A) on each Reset Adjustment Date, each Variable Rate Adjustment Date and on the Fixed Rate Adjustment Date in an amount not greater than the amount in the Principal Reserve Fund on the first day of the month prior to such Reset Adjustment Date, Variable Rate Adjustment Date or the Fixed Rate Adjustment Date, as applicable, or (B) on any Interest Payment Date during a Variable Period, in an amount not greater than the amount in the Principal Reserve Fund on the first day of the calendar month prior to such Interest Payment Date; or

(v) in part, in Authorized Denominations on each Interest Payment Date, during any Reset Period or Fixed Rate Period, with respect to the Bonds that have term maturities occurring during such Reset Period or Fixed Rate Period commencing on the first sinking fund mandatory redemption date established for the Bonds for such Reset Period or Fixed Rate Period as provided in subsection (c) below; provided that if less than all the Bonds shall have been redeemed pursuant to Section 3.01(a) or 3.01(b)(i), the amount of Bonds to be redeemed in each year from sinking fund installments as provided in this Section 3.01(b)(v) shall be decreased by an amount, in proportion, as nearly as practicable, to the decrease in the payments on the Bond Mortgage Loan in such year as determined by the Trustee;

(vi) in whole, on the day following any Reset Period if the Trustee has not received the items required by Sections 2.02(c) or (d), as applicable, to effect a new Reset Period or a Fixed Rate Adjustment or upon cancellation of a rate adjustment on a Reset Adjustment Date or upon cancellation of a Fixed Rate Adjustment to a Fixed Rate; or

(vii) subject to the Borrower's or an affiliate's right to purchase Bonds in lieu of their redemption pursuant to Section 3.06 hereof, in part, on the Interest Payment Date next following the completion of the rehabilitation of the Project, to the extent of amounts in Authorized Denominations transferred to the Redemption Fund from the Bond Proceeds Account of the Mortgage Loan Fund pursuant to Section 2.11A(d) (unless an Opinion of Bond Counsel addressed to the Trustee is provided to the Trustee to the effect that an alternate use of such moneys will not have an adverse impact on the tax exempt status of the Bonds).

(c) At least fifteen (15) days before a Reset Adjustment Date or the Fixed Rate Adjustment Date the Borrower shall, with the prior written consent of the Credit Facility Provider, determine whether the Bonds shall have serial maturities, term maturities with sinking fund redemptions, term maturities without sinking fund redemptions or any combination thereof; provided that in all events the maturity structure shall be based on and consistent with the Principal Reserve Schedule; provided, however, the Borrower shall deliver to the Issuer, the Trustee and the Credit Facility Provider an Opinion of Bond Counsel to the effect that such determination of maturities and/or sinking fund redemptions will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

(d) Following a Variable Rate Adjustment Date, there shall be no mandatory sinking fund redemption schedule for the Bonds during the succeeding Variable Period.

Section 3.02 *Selection of Bonds for Redemption.*

(a) The Trustee shall select Bonds subject to mandatory sinking fund redemption pursuant to Section 3.01(b)(v) hereof by lot within the appropriate maturity and series. If less than all the Bonds then Outstanding shall be called for redemption other than as a result of mandatory sinking fund redemption pursuant to Section 3.01(b)(v) hereof, the Trustee shall redeem an amount of Bonds so that the resulting decrease in debt service on the Bonds in each

semiannual period ending on an Interest Payment Date is proportional, as nearly as practicable, to the decrease in the payments on the Bond Mortgage Note in each such semiannual period, and the Bonds shall be selected by lot within each maturity, the cost of such selection being at the Borrower's expense.

(b) Bonds shall be redeemed pursuant to this Article III only in Authorized Denominations.

(c) In no event shall Purchased Bonds be subject to redemption without the prior written consent of the Credit Facility Provider.

Section 3.03 Notice of Redemption. Notice of the intended redemption of each Bond shall be given by the Trustee by first class mail, postage prepaid, to the registered Owner at the address of such Owner shown on the Bond Register. All such redemption notices shall be given not less than ten (10) days (not less than thirty (30) days in the case of optional or mandatory sinking fund redemptions) nor more than sixty (60) days prior to the date fixed for redemption. The Trustee may provide a conditional notice of redemption upon the direction of the Credit Facility Provider or the Borrower (with the prior written consent of the Credit Facility Provider).

Notices of redemption shall state the redemption date and the redemption price, the place or places where amounts due upon such redemption will be payable, and, if less than all of the then Outstanding Bonds are called for redemption, shall state (i) the numbers of the Bonds to be redeemed by giving the individual certificate number of each Bond to be redeemed or shall state that all Bonds between two stated certificate numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption; (ii) the CUSIP numbers of all Bonds being redeemed if available; (iii) the amount of each Bond being redeemed (in the case of a partial redemption); (iv) the date of issue of the Bond as originally issued; (v) the rate of interest borne by each Bond redeemed or that the Bonds bear interest at a Variable Rate; (vi) the maturity date of each Bond being redeemed; (vii) the possibility of a purchase of Bonds in lieu of redemption, if applicable; (viii) the conditions, if any, which must be satisfied in order for the redemption to take place on the scheduled date of redemption, including, as provided in Section 3.01(a)(iii), that Eligible Funds are available to pay any redemption premium on the Bonds; and (ix) any other descriptive information, including series designation, needed to identify accurately the Bonds being redeemed.

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

Notice of such redemption shall also be sent by certified mail, overnight delivery service, facsimile transmission or other secure means, postage prepaid, to the Credit Facility Provider, to the Servicer, to the Remarketing Agent, to the Rating Agency, to all municipal registered Securities Depositories and to at least two of the national Information Services that disseminate securities redemption notices, when possible, at least two (2) Business Days prior to the mailing of notices required by the first paragraph above, and in any event no later than simultaneously with the mailing of notices required by the first paragraph above; provided, that neither failure to

receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds.

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

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

Section 3.04 Cancellation. All Bonds that have been redeemed shall be marked cancelled by the Trustee, and shall not be reissued. A counterpart of the certificate of cancellation evidencing such cancellation shall, upon request, be furnished by the Trustee to the Issuer.

Section 3.05 Effect of Notice of Redemption. If a conditional notice of redemption has been provided pursuant to the terms of this Indenture and the conditions are not satisfied, such notice of redemption shall be of no force and effect and the Bondholders shall be restored to their former positions as though no such notice of redemption had been delivered. Notice of redemption having been given in the manner provided in this Article III and if either there were no conditions to such redemption or the conditions have been satisfied (or in the event no such notice is required under Section 3.03), and money for the redemption being held by the Trustee or Paying Agent for that purpose, thereupon the Bonds so called for redemption shall become due and payable on the redemption date, and interest thereon shall cease to accrue on such date; and such Bonds shall thereafter no longer be entitled to any security or benefit under this Indenture except to receive payment of the redemption price thereof.

Section 3.06 Purchase of Bonds in Whole in Lieu of Redemption. Notwithstanding anything in this Indenture to the contrary, at any time during which the Bonds are subject to redemption in whole or in part pursuant to Section 3.01(b)(viii) pursuant to the provisions of this Indenture, all (but not less than all) of the Bonds to be redeemed may be purchased by the Trustee (for the account of the Borrower or the Credit Facility Provider or their respective designee, as directed by such party) or directly by the Borrower or an affiliate of the Borrower by on the date which would be the redemption date at the direction of the Credit Facility Provider or the Borrower, with the prior written consent of the Credit Facility Provider (which direction shall specify that such purchase is pursuant to this Section 3.06 and shall be given no later than 12:00 noon, Washington, D.C., time on such redemption date), at a purchase price equal to the redemption price which would have been applicable to such Bonds on the redemption date. The Bonds shall be purchased in lieu of redemption only from amounts provided by the Credit Facility Provider or from other Eligible Funds. In the event the Trustee is so directed to purchase Bonds in lieu of redemption, no notice to the Holders of the Bonds to be so purchased (other than the notice of redemption otherwise required hereunder) shall be required, and the Trustee shall

be authorized to apply to such purpose the funds in the Redemption Fund which would have been used to pay the redemption price for such Bonds if such Bonds had been redeemed rather than purchased. Such Bonds so purchased for the account of the Borrower shall for all purposes under this Indenture constitute Purchased Bonds held by the Custodian pursuant to the Pledge Agreement and may be remarketed by the Remarketing Agent in accordance with the provisions of Section 10.03. In addition, the Credit Facility Provider shall have the right to direct the transfer of Purchased Bonds (without reinstatement of the then existing Credit Facility or delivery to the Trustee of an Alternate Credit Facility, which will result in such Bonds being unrated) to the Credit Facility Provider or any subsidiary of the Credit Facility Provider, or to a single Bondholder which has provided the Trustee with an investment letter in the form attached to this Indenture as *Exhibit C*, provided that any transfer to a single Bondholder as described above shall require delivery of an opinion of Bond Counsel to the Trustee to the effect that such transfer will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. Such Purchased Bonds, if not remarketed or transferred as provided herein, shall be redeemed and cancelled: (i) upon the written direction of the Credit Facility Provider; or (ii) automatically by the Trustee on the date which is not later than two (2) years from the date of purchase, unless an opinion of Bond Counsel is delivered to the Trustee to the effect that not redeeming and canceling such Purchased Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. Any purchase of Bonds hereunder is not intended as an extinguishment of the debt represented by the Bonds.

Following any purchase of Bonds pursuant to this Section 3.06, in no event shall the Credit Facility (or any funds advanced under the Credit Facility) directly or indirectly secure, or provide a source of payments of amounts due from time to time with respect to Bonds purchased pursuant to this Section 3.06.

Section 3.07 *Cancellation of Purchased Bonds.* Upon a redemption date on which all Bonds (other than Purchased Bonds) are redeemed or on a date on which all Bonds (other than Purchased Bonds) are presented to the Trustee for cancellation pursuant to Section 3.06, all Purchased Bonds shall be deemed cancelled provided that the Credit Facility Provider has consented in writing to such cancellation. No further money shall be required to be paid by the Issuer or the Credit Facility Provider in connection with such cancellation; provided, however, that such cancellation shall not release the obligation of the Borrower to reimburse the Credit Facility Provider for payments made in respect of principal of, interest on or Purchase Price of the Bonds, including Purchased Bonds.

ARTICLE IV

REVENUES AND FUNDS

Section 4.01 *Pledge of Revenues and Assets.* The pledge and assignment of and the security interest granted in the Trust Estate pursuant to the Granting Clauses hereof shall attach, be perfected and be valid and binding from and after the time of the delivery of the Bonds by the Trustee or by any Person authorized by the Trustee to deliver the Bonds. The Trust Estate so pledged and then or thereafter received by the Trustee shall immediately be subject to the lien of such pledge and security interest without any physical delivery thereof or further act, and the lien

of such pledge and security interest shall be valid and binding and prior to the claims of any and all parties having claims of any kind in tort, contract or otherwise against the Issuer irrespective of whether such parties have notice thereof.

Section 4.02 *Establishment of Funds.* In addition to the Bond Mortgage Loan Fund established pursuant to Section 2.11 hereof and the Bond Purchase Fund established pursuant to Section 10.03 hereof, the Trustee shall establish, maintain and hold in trust the following funds and accounts, each of which shall be disbursed and applied only as herein authorized:

- (a) Revenue Fund, and within the Revenue Fund a General Account and a Credit Facility Account;
- (b) Bond Fund and within the Bond Fund a Purchased Bonds Account;
- (c) Redemption Fund;
- (d) Administration Fund;
- (e) Cost of Issuance Fund;
- (f) Principal Reserve Fund; and
- (g) Rebate Fund.

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

Section 4.03 *Application of Revenues.*

(a) All Revenues shall be deposited by the Trustee, promptly upon receipt thereof, to the General Account of the Revenue Fund, except (i) the proceeds of the Bonds received by the Trustee on the Delivery Date, which shall be applied in accordance with the provisions of Section 2.11 and 2.11A hereof; (ii) amounts paid pursuant to the Credit Facility, which shall be deposited in the Credit Facility Account; (iii) the Bond Fee Component received from the Servicer or the Borrower, which shall be deposited to the Administration Fund; (iv) as otherwise specifically provided in subsection (c) of this Section with respect to certain deposits into the Redemption Fund; (v) as otherwise specifically provided in the second paragraph of Section 4.06 hereof with respect to deficiencies in the Administration Fund; (vi) with respect to investment earnings to the extent required under the terms hereof to be retained in the funds and accounts to which they are attributable; (vii) as otherwise specifically provided in Section 4.07 with respect to certain deposits in the Principal Reserve Fund; and (viii) with respect to amounts required to be transferred between funds and accounts as provided in this Article IV.

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

FIRST: to the Bond Fund from money in the Credit Facility Account of the Revenue Fund, an amount equal to the principal of and interest due on the Bonds on such date (excluding principal or interest on any Purchased Bonds and excluding the principal constituting a mandatory sinking fund payment on any Bonds on such date); and

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

THIRD: to the Redemption Fund from money in the Credit Facility Account (i) amounts paid to the Trustee under the Credit Facility to be applied to the mandatory redemption of all or a portion of the Bonds pursuant to Section 3.01(b) hereof (other than a mandatory sinking fund redemption) and (ii) amounts paid to the Trustee under the Credit Facility to be applied to the optional redemption of all or a portion of the Bonds pursuant to Sections 3.01(a)(i) and 3.01(a)(ii) hereof; and

FOURTH: to the Credit Facility Provider to reimburse draws under the Credit Facility to effect redemptions under Section 3.01(b); and

FIFTH: to the Purchased Bonds Account in the Bond Fund from money in the General Account, an amount equal to the interest due on the Purchased Bonds on such date.

(c) The Trustee shall deposit directly to the Redemption Fund (i) Net Proceeds representing casualty insurance proceeds or condemnation awards paid as a prepayment of the Bond Mortgage Loan, such amount to be applied to reimburse the Credit Facility Provider for a draw under the Credit Facility in such amount to provide for extraordinary mandatory redemption of all or a portion of the Bonds pursuant to Section 3.01(b)(i); (ii) any amounts transferred from the Bond Mortgage Loan Fund following completion of rehabilitation pursuant to Section 2.11A(d) hereof; (iii) Eligible Funds (other than draws under the Credit Facility) paid to the Trustee to be applied to the optional redemption of all or a portion of the Bonds pursuant to Section 3.01(a)(i) or 3.01(a)(ii); and (iii) Eligible Funds (other than draws under the Credit Facility) paid to the Trustee to be applied to the payment of any redemption premium in connection with an optional redemption of all or a portion of the Bonds pursuant to Section 3.01(a)(i) hereof.

(d) Immediately upon receipt, the Trustee shall deposit directly to the Principal Reserve Fund all Principal Reserve Schedule Payments received by the Servicer from the Borrower.

(e) Immediately upon receipt, the Trustee shall deposit directly to the Administration Fund the Bond Fee Component received from the Servicer or the Borrower.

(f) Should the amount in the Bond Fund be insufficient to pay the amount due on the Bonds on any given Interest Payment Date or other payment date after the transfers from the Credit Facility Account, the Trustee shall credit to the Bond Fund the amount of such deficiency by charging the following funds and accounts in the following order of priority: (1) the General Account of the Revenue Fund; (2) the Administration Fund; (3) the Redemption Fund, except no such charge to the Redemption Fund shall be made from money to be used to effect a redemption for which notice of redemption has been provided for or from money which are held for payment of Bonds which are no longer Outstanding hereunder; and (4) at the written direction of the Credit Facility Provider pursuant to Section 4.07(f), the Principal Reserve Fund.

Section 4.04 *Application of Bond Fund.* The Trustee shall charge the Bond Fund, on each Interest Payment Date, an amount equal to the unpaid interest and principal due on the Bonds on such Interest Payment Date, and shall cause the same to be applied to the payment of such interest and principal when due (excluding principal on any Purchased Bond). Any money remaining in the Bond Fund on any Interest Payment Date after application as provided in the preceding sentence may, to the extent there shall exist any deficiency in the Redemption Fund to redeem Bonds called for mandatory sinking fund redemption on such Interest Payment Date, be transferred to the Redemption Fund to be applied for such purpose. Any balance remaining in the Bond Fund on the Business Day immediately succeeding an Interest Payment Date shall be transferred to the Servicer for payment to the Credit Facility Provider to be applied in accordance with the Reimbursement Agreement.

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

No amount shall be charged against the Bond Fund except as expressly provided in this Article IV and in Section 6.05.

Section 4.05 *Application of Redemption Fund.* Any money credited to the Redemption Fund shall be applied as set forth in Sections 4.03(b) and 4.03(c) hereof; provided, however, that to the extent any money credited to the Redemption Fund from Eligible Funds (other than draws under the Credit Facility) is in excess of the amount necessary to effect the redemptions described in Sections 4.03(b) and 4.03(c) it shall be applied to make up any deficiency in the Bond Fund on any Interest Payment Date, to the extent money then available in accordance with Section 4.03(d) hereof in the General Account of the Revenue Fund and the Administration Fund are insufficient to make up such deficiency, provided that no money to be used to effect a redemption for which a conditional notice of redemption, the conditions of which have been satisfied, or an unconditional notice of redemption has been provided or money which are held for payment of Bonds which are no longer Outstanding hereunder shall be so transferred to the Bond Fund.

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

No amount shall be charged against the Redemption Fund except as expressly provided in this Article IV and in Section 6.05.

Section 4.06 Application of Administration Fund. Amounts in the Administration Fund shall be withdrawn or maintained, as appropriate, by the Trustee and used **FIRST**, in accordance with Section 4.03(d), to make up any deficiency in the Bond Fund on any Interest Payment Date, to the extent money then available in the General Account of the Revenue Fund are insufficient to make up such deficiency; **SECOND**, to pay to the Trustee when due the Ordinary Trustee's Fees and Expenses; **THIRD**, to pay to the Issuer when due the Issuer Fee; **FOURTH**, to pay the reasonable fees and expenses of a Rebate Analyst when due in connection with the computations relating to arbitrage rebate required under this Indenture and the Financing Agreement, upon receipt of an invoice from the Rebate Analyst; **FIFTH**, to deposit to any Custodial Escrow Account any deficiency in the amount held therein as certified in writing by the Servicer (or subsequent holder of the account) to the Trustee; **SIXTH**, to pay to the Remarketing Agent any unpaid portion of the Remarketing Agent Fee owed to it; **SEVENTH**, to pay to the Trustee any Extraordinary Trustee's Fees and Expenses due and payable from time to time, as set forth in an invoice submitted to the Issuer and Freddie Mac; **EIGHTH**, to pay to the Issuer any extraordinary expenses it may incur in connection with the Bonds or this Indenture from time to time, as set forth in an invoice submitted to the Trustee and Freddie Mac; **NINTH**, to pay to the Credit Facility Provider any unpaid portion of the amounts due under the Reimbursement Agreement, as certified in writing by the Credit Facility Provider to the Trustee; **TENTH**, to pay to the Servicer any unpaid portion of the Ordinary Servicing Fees and Expenses and any Extraordinary Servicing Fees and Expenses due and owing from time to time, as set forth in an invoice submitted to the Trustee and Freddie Mac; **ELEVENTH**, to make up any deficiency in the Redemption Fund on any redemption date of Bonds, to the extent money then available in accordance with Section 4.03(d) hereof in the Redemption Fund are insufficient to redeem Bonds called for redemption on such redemption date; **TWELFTH**, to pay to the Rating Agency when due the annual rating maintenance fee, if any; and **THIRTEENTH**, to transfer any remaining balance after application as aforesaid to the General Account of the Revenue Fund.

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

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

No amount shall be charged against the Administration Fund except as expressly provided in this Article IV and Section 6.05.

Section 4.07 Principal Reserve Fund.

(a) There shall be deposited into the Principal Reserve Fund the Principal Reserve Schedule Payments. Any interest earned on or profits realized from amounts on deposit in the Principal Reserve Fund shall be deposited into the Principal Reserve Fund and, provided that the

Trustee has not received notice from the Servicer of a deficiency in the Principal Reserve Fund, the Hedge Fee Escrow or other Custodial Escrow Account, and there is no deficiency in the Administration Fund or the Rebate Fund, and the Trustee has not received notice that a default exists under any of the Bond Mortgage Loan Documents, shall be paid to the Borrower on the Interest Payment Date next succeeding receipt of such interest or profits by the Trustee. In addition, there shall be deposited into the Principal Reserve Fund remarketing proceeds relating to Purchased Bonds, which shall be used to reimburse the Credit Facility Provider in an amount equal to the amount of any Liquidity Advance paid to the Trustee to purchase Bonds on any Settlement Date.

(b) At the direction of the Credit Facility Provider, amounts on deposit in the Principal Reserve Fund shall be used by the Trustee to pay any amounts required to be paid by the Borrower under any Bond Mortgage Loan Document, to pay any amounts owed to the Credit Facility Provider in connection with any loan purchased by the Credit Facility Provider and secured by the Project, or to pay any other amount agreed to in writing by the Borrower and the Credit Facility Provider; provided that the amounts on deposit in the Principal Reserve Fund shall, upon the occurrence of an event of default under any Bond Mortgage Loan Document, be used in any manner and for any purpose specified by the Credit Facility Provider.

(c) At the request of the Borrower, the Credit Facility Provider, in its sole and absolute discretion, may (i) consent to the release of all or a portion of the amounts on deposit in the Principal Reserve Fund to the Borrower (in which case the Trustee shall release such amounts to the Borrower, provided that if, in the judgment of the Rebate Analyst, the amount on deposit in the Rebate Fund at such time is less than the amount required under Section 4.12 to be rebated to the United States Treasury, then prior to any such release to the Borrower, any amounts on deposit in the Principal Reserve Fund (up to the amount of such deficiency) shall be transferred to the Rebate Fund) and/or (ii) reduce or no longer require deposits to the Principal Reserve Fund.

(d) On each Reset Adjustment Date, on each Variable Rate Adjustment Date and on the Fixed Rate Adjustment Date, amounts on deposit in the Principal Reserve Fund shall be used to reimburse the Credit Facility Provider in an amount equal to any Guaranteed Payment made by the Credit Facility Provider to the Trustee under the Credit Facility to redeem Bonds in Authorized Denominations pursuant to Section 3.01(b)(iv).

(e) On the first day of the month in which an Interest Payment Date falls during a Reset Period or a Fixed Rate Period, amounts on deposit in the Principal Reserve Fund shall be used to reimburse the Credit Facility Provider in an amount equal to any Guaranteed Payment made by the Credit Facility Provider to the Trustee under the Credit Facility to redeem Bonds in Authorized Denominations pursuant to Section 3.01(b)(v).

(f) On any Interest Payment Date, to the extent of any deficiency in the Bond Fund, to the extent money then available in accordance with Section 4.03(d) in the General Account of the Revenue Fund, the Administration Fund and the Redemption Fund are insufficient to make up such deficiency, at the direction of the Credit Facility Provider, amounts on deposit in the Principal Reserve Fund shall be transferred to the Bond Fund in the amount of such deficiency.

(g) [reserved]

(h) Any amounts remaining in the Principal Reserve Fund after payment in full of the principal of and interest on the Bonds shall be applied as provided in Section 4.11 hereof.

Section 4.08 *Investment of Funds.* The money held by the Trustee shall constitute trust funds for the purposes hereof. Any money attributable to each of the funds and accounts hereunder (except the Principal Reserve Fund as provided in this Section and the Bond Purchase Fund, the investment of which is provided for in Section 10.03) shall be invested by the Trustee, at the direction of the Borrower, in Qualified Investments which mature on the earlier of (i) six months from the date of investment and (ii) the date such money is needed; provided, that if the Trustee shall have entered into any investment agreement requiring investment of money in any fund or account hereunder in accordance with such investment agreement and if such investment agreement constitutes a Qualified Investment, such money shall be invested in accordance with such requirements; and provided, further, that amounts in the Credit Facility Account of the Revenue Fund shall be invested only in Government Obligations or in Qualified Investments of the type described in subparagraph (g) of the definition thereof which, in any case, shall mature or be subject to tender or redemption at par on or prior to the earlier of: (i) 30 days from the date of investment or (ii) the date such money is required to be applied pursuant to the provisions of this Indenture. Except as otherwise provided in the preceding sentence, in the absence of the written direction of the Borrower, the Trustee shall invest amounts on deposit in the funds and accounts established under this Indenture in investments described in subparagraph (g) of the definition of Qualified Investments. Such investments may be made through the investment or securities department of the Trustee. All such Qualified Investments purchased with money in any fund or account hereunder shall mature, or shall be subject to redemption or withdrawal without discount or penalty at the option of the Trustee, prior to the next succeeding Interest Payment Date.

Amounts on deposit in the Principal Reserve Fund shall be invested and reinvested by the Trustee as provided in the Reimbursement Agreement.

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

The Issuer acknowledges that regulations of the Comptroller of the Currency grant the Issuer the right to receive brokerage confirmations of the security transactions as they occur. To the extent permitted by law, the Issuer specifically waives compliance with 12 C.F.R. 12 and hereby notifies the Trustee hereunder, that no brokerage confirmations need be sent relating to the security transactions as they occur.

The Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance herewith.

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

Section 4.09 *Money Held for Particular Bonds; Funds Held in Trust.* The amounts held by the Trustee for the payment of the interest, principal or redemption price due on any date with respect to particular Bonds pending such payment, shall be set aside and held in trust by it for the Holders of the Bonds entitled thereto, and for the purposes hereof such interest, principal or redemption price, after the due date thereof, shall no longer be considered to be unpaid.

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

Section 4.10 *Accounting Records.* The Trustee shall maintain accurate books and records for all funds and accounts established hereunder.

Section 4.11 *Amounts Remaining in Funds.* After full payment of the Bonds (or provision for payment thereof having been made in accordance with Section 9.01 hereof) and full payment of the fees, charges and expenses of the Issuer and the Trustee and other amounts required to be paid hereunder or under any Bond Mortgage Loan Document, including, but not limited to, the Credit Facility and the Reimbursement Agreement, any amounts remaining in any fund or account hereunder other than the Rebate Fund shall be paid to the Borrower; provided however, that if a default shall have occurred and remain uncured after the giving of the required notice and the expiration of all applicable cure periods under any Bond Mortgage Loan Document of which the Trustee shall have received written notice from the Credit Facility Provider or the Servicer, then any such amounts remaining in any fund or account hereunder shall be paid to the Credit Facility Provider in accordance with the Reimbursement Agreement.

Section 4.12 *Rebate Fund; Compliance with Tax Certificate.* The Rebate Fund shall be established by the Trustee and held and applied as provided in this Section. On any date on which any amounts are required by applicable federal tax law to be rebated to the federal government, amounts shall be deposited into the Rebate Fund by the Borrower for such purpose. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the rebate requirement (as set forth in the Tax Certificate) and as calculated by the Rebate Analyst, for payment to the United States Government, and neither the Issuer, the Borrower, the Credit Facility Provider nor the Bondholders shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section and by the Tax Certificate. The Trustee shall conclusively be deemed to have complied with such provisions if it follows the written instructions of the Issuer, Bond Counsel or the Rebate Analyst, including supplying all necessary information in the manner set forth in the Tax Certificate, and shall not be required to take any actions under the Tax Certificate in the absence of written instructions from the Issuer, Bond Counsel or the Rebate Analyst.

Within 55 days of the end of each fifth Bond Year, the Borrower shall cause the Rebate Analyst to calculate the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the 1986 Code and Section 1.148-3 of the Rebate Regulations (taking into account any exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the 1986 Code)), for this purpose treating the last day of the applicable Bond Year as a (computation) date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the “Rebatable Arbitrage”).

Within 55 days of the end of each fifth Bond Year, upon the written direction of the Issuer, Bond Counsel or the Rebate Analyst, an amount shall be deposited to the Rebate Fund by the Trustee from amounts provided by the Borrower, if and to the extent required so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with the preceding paragraph.

The Trustee shall pay, as directed by the Issuer, Bond Counsel or the Rebate Analyst, to the United States Treasury, out of amounts in the Rebate Fund:

(i) Not later than 60 days after the end of (A) the fifth Bond Year, and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and

(ii) Not later than 60 days after the payment of all the Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the 1986 Code.

Each payment required to be made under this Section shall be made to the Internal Revenue Service Center, Ogden, Utah 84201, on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be prepared by the Rebate Analyst and provided to the Trustee.

Notwithstanding any provision of this Indenture to the contrary, the obligation to remit payment of the Rebatable Arbitrage to the United States and to comply with all other requirements of this Section 4.12, Sections 2.4 and 4.3 of the Financing Agreement and the requirements of the Tax Certificate shall survive the defeasance or payment in full of the Bonds.

Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Trustee, shall be withdrawn and remitted to the Borrower.

The Trustee shall obtain and keep such records of the computations made pursuant to this Section 4.12 as are required under Section 148(f) of the 1986 Code to the extent furnished to the Trustee. The Borrower shall or shall cause the Rebate Analyst to provide to the Issuer and the Trustee copies of all rebate computations made pursuant to this Section 4.12. The Trustee shall keep and make available to the Borrower such records concerning the investments of the gross proceeds of the Bonds and the investments of earnings from those investments made by the Trustee as may be requested by the Borrower in order to enable the Borrower to cause the Rebate

Analyst to make the aforesaid computations as are required under Section 148(f) of the 1986 Code.

Notwithstanding the foregoing, the computations and payments of Rebatable Arbitrage 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 1986 Code based on an opinion of Bond Counsel, to the effect that such failure will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds, a copy of which shall be provided to the Trustee, at the expense of the Borrower.

Section 4.13 *Cost of Issuance Fund.* The Trustee shall use money on deposit to the credit of the Cost of Issuance Fund to pay the costs of issuance on the Delivery Date or as soon as practicable thereafter, upon delivery to the Trustee of appropriate invoices for such expenses and a requisition in the form attached as *Exhibit D*. Amounts remaining on deposit in the Cost of Issuance Fund three (3) months after the Delivery Date shall be transferred to the Borrower. Upon such final disbursement, the Trustee shall close the Cost of Issuance Fund.

Section 4.14 *Reports From the Trustee.* The Trustee shall, on or before the fifteenth (15th) day of each month, file with the Multifamily Loan Servicing Department of the Credit Facility Provider and the Issuer (at its written request) a statement setting forth in respect of the preceding calendar month:

(i) the amount withdrawn or transferred by it and the amount deposited within or on account of each fund and account held by it under the provisions of this Indenture, including the amount of investment income on each fund and account;

(ii) the amount on deposit with it at the end of such month to the credit of each fund and account;

(iii) a brief description of all obligations held by it as an investment of money in each such fund and account; and

(iv) any other information which the Credit Facility Provider or the Issuer may reasonably request and to which the Trustee has access in the ordinary course of its operations.

Upon the written request of any Bondholder, the Trustee, at the cost of the Borrower, shall provide a copy of such statement to such Bondholder. All records and files pertaining to the Trust Estate shall be open at all reasonable times to the inspection of the Issuer and the Credit Facility Provider and their agents and representatives upon reasonable prior notice during normal business hours.

Section 4.15 *Payments Under Bond Mortgage Loan.* The Trustee and the Issuer hereby expressly acknowledge that references in this Indenture to payments or prepayments of the Bond Mortgage Loan shall, for all purposes of this Indenture, refer solely to such portion of such payments or prepayments actually paid by the Credit Facility Provider to the Trustee as Guaranteed Payments pursuant to the Credit Facility for which the Owner has correspondingly

reimbursed the Credit Facility Provider in an amount equal to the Guaranteed Payments. Without in any way limiting the foregoing, the Trustee and the Issuer hereby acknowledge that, pursuant to the Guide, the Servicer will pay the Freddie Mac Credit Enhancement Fee, the Freddie Mac Reimbursement Amount and the Ordinary Servicing Fees and Expenses from payments under the Bond Mortgage Loan made by the Borrower prior to remitting the balance of such payments or prepayments to the Trustee for application as provided in this Indenture.

Section 4.16 Drawings Under Credit Facility. The Credit Facility shall be held by the Trustee and drawn upon in accordance with its terms and the provisions of this Indenture. Money derived from draws upon the Credit Facility shall be deposited in the Credit Facility Account of the Revenue Fund and applied by the Trustee to pay the principal of and interest on the Bonds, and, in the event of a purchase of the Bonds, to pay, to the extent provided in the Credit Facility, the Purchase Price of the Bonds in accordance with this Indenture.

The Trustee shall draw money under the Credit Facility in accordance with the terms thereof when needed and in amounts sufficient to make timely payments of the principal of and interest, but not premium, on the Bonds when due and payable (i.e., on any Interest Payment Date, any Settlement Date, any redemption date or the Maturity Date). The Trustee shall not, however, be permitted to draw on the Credit Facility to pay principal of and interest on Purchased Bonds.

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

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

The Trustee shall send to the Borrower a copy of any documents which are presented to the Credit Facility Provider in connection with a drawing on the Credit Facility concurrently with its submission of those documents to the Credit Facility Provider, if requested to do so by the Borrower. The Borrower shall be permitted to provide the Trustee with an Alternate Credit Facility in accordance with this Indenture and the Financing Agreement.

Section 4.17 Notices Under Credit Enhancement Agreement. The Trustee hereby agrees to provide to the Credit Facility Provider all such notices, including any notice of failure to receive a payment, as shall be required under the Credit Facility in the manner and within the periods of time provided therein and the Trustee and the Issuer each hereby acknowledges that certain notices constitute a condition precedent to payment by the Credit Facility Provider under the Credit Facility.

ARTICLE V

GENERAL COVENANTS AND REPRESENTATIONS

Section 5.01 *Payment of Principal and Interest.* The Issuer covenants that it will promptly pay or cause to be paid, but only from the sources identified herein, sufficient amounts to provide for the payment of the principal of, premium, if any, the Purchase Price of and interest on the Bonds at the place, on the dates and in the manner provided herein and in the Bonds, according to the true intent and meaning thereof.

Section 5.02 *Performance of Covenants.* The Issuer covenants that it will faithfully perform at all times any and all of its covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all proceedings pertaining thereto.

Section 5.03 *Instruments of Further Assurance.* The Issuer covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto, and such further acts, instruments and transfers as may be reasonably required for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee all and singular its interest in the property herein described and the revenues, receipts and other amounts pledged hereby to the payment of the principal of, premium, if any, and interest on the Bonds. Any and all interest in property hereafter acquired which is of any kind or nature herein provided to be and become subject to the lien hereof shall and without any further conveyance, assignment or act on the part of the Issuer or the Trustee, become and be subject to the lien of this Indenture as fully and completely as though specifically described herein, but nothing in this sentence contained shall be deemed to modify or change the obligations of the Issuer under this Section of this Indenture. The Issuer covenants and agrees that, except as herein otherwise expressly provided, it has not and will not sell, convey, mortgage, encumber or otherwise dispose of any part of its interest in the Trust Estate or the revenues or receipts therefrom.

The Issuer will promptly notify the Trustee and, so long as Freddie Mac is the Credit Facility Provider, the Servicer in writing of the occurrence of any of the following:

- (A) the submission of any claim or the initiation of any legal process, litigation or administrative or judicial investigation against the Issuer with respect to the Bonds;
- (B) any change in the location of the Issuer's principal office or any change in the location of the Issuer's books and records relating to the transactions contemplated hereby;
- (C) the occurrence of any default or Event of Default of which the Issuer has actual knowledge;
- (D) the commencement of any proceedings or any proceedings instituted by or against the Issuer in any federal, state or local court or before any governmental body or agency, or before any arbitration board, relating to the Bonds; or

(E) the commencement of any proceedings by or against the Issuer under any applicable bankruptcy, reorganization, liquidation, rehabilitation, insolvency or other similar law now or hereafter in effect or of any proceeding in which a receiver, liquidator, conservator, trustee or similar official shall have been, or may be, appointed or requested for the Issuer or any of its assets relating to the Bonds.

Section 5.04 *Inspection of Project Books.* The Issuer covenants and agrees that all books and documents in its possession relating to the Project shall, upon reasonable prior notice, during normal business hours, be open to inspection and copying by such accountants or other agents as the Trustee or the Credit Facility Provider may from time to time reasonably designate.

Section 5.05 *No Modification of Security; Additional Indebtedness.* The Issuer covenants that it will not, without the written consent of the Trustee and the Credit Facility Provider, alter, modify or cancel, or agree to consent to alter, modify or cancel any agreement to which the Issuer is a party, or which has been assigned to the Issuer, and which relates to or affects the security for the Bonds or the payment of any amount owed to the Credit Facility Provider. The Issuer further covenants not to create or suffer to be created any lien upon the Trust Estate or any part thereof other than the lien created hereby and by the Bond Mortgage and the Reimbursement Mortgage without the prior written consent of the Credit Facility Provider.

Section 5.06 *Damage, Destruction or Condemnation.* Net Proceeds resulting from casualty to or condemnation of the Project shall be applied as provided in the Bond Mortgage Loan Documents and, to the extent consistent therewith, Section 3.01(b)(i) hereof.

Section 5.07 *Tax Covenant.*

(a) *Issuer's Covenants.* The Issuer covenants to and for the benefit of the Holders of the Bonds that it will:

(i) neither make or use nor cause to be made or used any investment or other use of the proceeds of the Bonds or the money and investments held in the funds and accounts in any manner which would cause the Bonds to be arbitrage bonds under Section 148 of the 1986 Code and the Regulations issued under Section 148 of the 1986 Code (the "Regulations") or which would otherwise cause the interest payable on the Bonds to be includable in gross income for federal income tax purposes;

(ii) enforce or cause to be enforced all obligations of the Borrower under the Tax Regulatory Agreement in accordance with its terms and seek to cause the Borrower to correct any violation of the Tax Regulatory Agreement within a reasonable period after it first discovers or becomes aware of any such violation;

(iii) not take or cause to be taken any other action or actions, or fail to take any action or actions, which would cause the interest payable on the Bonds to be includable in gross income for federal income tax purposes;

(iv) at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Issuer on the Bonds will be excluded from the gross income for federal income tax purposes, of the Bondholders pursuant to Section 103 of the 1986 Code, except in the event where any such owner of Bonds is a “substantial user” of the facilities financed with the Bonds or a “related person” within the meaning of the 1986 Code; and

(v) not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the 1986 Code and the Regulations.

In furtherance of the covenants in this Section, the Issuer and the Borrower shall execute, deliver and comply with the provisions of the Tax Certificate, which is by this reference incorporated into this Indenture and made a part of this Indenture as if set forth in this Indenture in full, and by its acceptance of this Indenture the Trustee acknowledges receipt of the Tax Certificate and acknowledges its incorporation into this Indenture by this reference and agrees to comply with the terms specifically applicable to it.

(b) *Trustee’s Covenants.* The Trustee agrees that it will invest funds held under this Indenture in accordance with the terms of this Indenture and the Tax Certificate (this covenant shall extend throughout the term of the Bonds, to all funds and accounts created under this Indenture and all money on deposit to the credit of any Fund or Account). The Trustee covenants to and for the benefit of the Bondholders that, notwithstanding any other provisions of this Indenture or of any other Bond Financing Document, it will not make or cause to be made any investment or other use of the money in the funds or accounts which would cause the Bonds to be classified as “arbitrage bonds” within the meaning of Sections 103(b) and 148 of the 1986 Code or would cause the interest on the Bonds to be includable in gross income for federal income tax purposes; provided that the Trustee shall be deemed to have complied with these requirements and shall have no liability to the extent it follows the written directions of the Borrower, the Issuer or the Rebate Analyst. The Trustee further covenants that should the Issuer or the Borrower file with the Trustee (it being understood that neither the Issuer nor the Borrower has an obligation to so file), or should the Trustee receive, an Opinion of Bond Counsel to the effect that any proposed investment or other use of proceeds of the Bonds would cause the Bonds to become “arbitrage bonds,” then the Trustee will comply with any written instructions of the Issuer, the Borrower or Bond Counsel regarding such investment or use so as to prevent the Bonds from becoming “arbitrage bonds,” and the Trustee will bear no liability to the Issuer, the Borrower, the Holders of the Bonds or the Credit Facility Provider for investments made in accordance with such instructions.

Section 5.08 *Representations of the Issuer.* The Issuer hereby represents as follows:

(a) The Issuer is a municipal corporation duly organized, validly existing and in good standing under the laws of the State.

(b) The Issuer has all necessary power and authority to issue the Bonds and to execute and deliver this Indenture, the Financing Agreement and the other Bond

Financing Documents to which it is a party, and to perform its duties and discharge its obligations hereunder and thereunder.

(c) The revenues and assets pledged for the repayment of the Bonds are and will be free and clear of any pledge, lien or encumbrance prior to, or equal with, the pledge created by this Indenture, and all action on the part of the Issuer to that end has been duly and validly taken.

(d) The Bond Financing Documents to which the Issuer is a party have been validly authorized, executed and delivered by the Issuer, and assuming due authorization, execution and delivery by the other parties thereto, constitute valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium or other laws affecting creditors' rights generally and the application of equitable principles.

ARTICLE VI

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

Section 6.01 *Events of Default.* Each of the following shall be an event of default with respect to the Bonds (an "Event of Default") under this Indenture:

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

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

(c) failure to observe or perform any of the covenants, agreements or conditions on the part of the Issuer (other than those set forth in Section 5.01 hereof) set forth in this Indenture or in the Bonds and the continuance thereof for a period of thirty (30) days (or such longer period, if any, as is specified herein for particular defaults) after written notice thereof (which notice shall be effective only with the written consent of the Credit Facility Provider if no Event of Default has occurred and is then continuing under Section 6.01(b) hereof) to the Issuer from the Trustee or the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding at such time specifying such default and requiring the same to be remedied; provided that if such default cannot be cured within such thirty (30) day period through the exercise of diligence and the Issuer commences the required cure within such thirty (30) day period and continues the cure with diligence and the Issuer reasonably anticipates that the default could be cured within sixty (60) days, the Issuer shall have sixty (60) days following receipt of such notice to effect the cure.

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

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

Section 6.02 *Acceleration; Other Remedies Upon Event of Default.*

(a) Upon the occurrence of an Event of Default as provided in Section 6.01(a) hereof, the Trustee shall, but so long as no Event of Default has occurred and is then continuing under Section 6.01(b) hereof, only upon receipt from the Credit Facility Provider of a notice directing such acceleration (which notice may be given in the sole discretion of the Credit Facility Provider), by notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable and interest on the Bonds shall cease to accrue, anything contained in this Indenture or in the Bonds to the contrary notwithstanding.

(b) Upon the occurrence of an Event of Default as provided in Section 6.01(c) hereof, the Trustee may, but so long as no Event of Default has occurred and is then continuing under Section 6.01(b) hereof, only upon receipt of the written consent of the Credit Facility Provider (which consent may be given in the sole discretion of the Credit Facility Provider), by notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable and interest on the Bonds shall cease to accrue, anything contained in this Indenture or in the Bonds to the contrary notwithstanding.

(c) Upon the occurrence of an Event of Default under Section 6.01(b) hereof, the Trustee may, and upon the written request of the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding and receipt of indemnity satisfactory to it shall, by notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable and interest on the Bonds shall cease to accrue upon such declaration, anything contained in this Indenture or in the Bonds to the contrary notwithstanding.

The payment on the Bonds resulting from a declaration of acceleration on the Bonds as the result of an Event of Default occurring under Section 6.01(a) or (c) shall be made from the Credit Facility.

If at any time after the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered,

the Issuer, the Borrower or the Credit Facility Provider, as applicable, shall pay to or deposit with the Trustee a sum sufficient to pay all principal of the Bonds then due (other than solely by reason of such declaration) and all unpaid installments of interest (if any) upon all the Bonds then due, with interest at the rate borne by the Bonds on such overdue principal and (to the extent legally enforceable) on such overdue installments of interest, and the reasonable fees and expenses of the Trustee shall have been made good or cured or adequate provision shall have been made therefor, and all outstanding amounts then due and unpaid under the Reimbursement Agreement (including with respect to Freddie Mac all outstanding Freddie Mac Reimbursement Amounts and all Freddie Mac Credit Enhancement Fees) shall have been paid in full, and all other defaults hereunder shall have been made good or cured or waived in writing by the Credit Facility Provider (or, if an Event of Default under Section 6.01(b) hereof has occurred and is then continuing, by the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding), then and in every case, the Trustee on behalf of the Holders of all the Outstanding Bonds shall rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, nor shall it impair or exhaust any right or power consequent thereon.

Upon the occurrence and during the continuance of an Event of Default, the Trustee in its own name and as trustee of an express trust, on behalf and for the benefit and protection of the Holders of all Bonds with respect to which such an Event of Default has occurred and of the Credit Facility Provider (if no Event of Default has occurred and is continuing under Section 6.01(b)), may also proceed to protect and enforce any rights of the Trustee and, to the full extent that the Holders of such Bonds themselves might do, the rights of such Bondholders under the laws of the State or under this Indenture by such of the following remedies as the Trustee shall deem most effectual to protect and enforce such rights; provided that, so long as no Event of Default has occurred and is then continuing under Section 6.01(b) hereof, the Trustee may undertake any such remedy only upon the receipt of the prior written consent of the Credit Facility Provider (which consent may be given in the sole discretion of the Credit Facility Provider):

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

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

- (iii) by realizing or causing to be realized through sale or otherwise upon the security pledged hereunder; and

- (iv) by action or suit in equity enjoin any acts or things that may be unlawful or in violation of the rights of the Holders of the Bonds and execute any other papers and documents and do and perform any and all such acts and things

as may be necessary or advisable in the opinion of the Trustee in order to have the respective claims of the Bondholders against the Issuer allowed in any bankruptcy or other proceeding.

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

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

Section 6.03 *Rights of Bondholders.* If an Event of Default under Section 6.01(b) hereof shall have occurred and is then continuing, and if requested in writing so to do by the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding with respect to which there is a default, and if indemnified to its satisfaction, the Trustee shall exercise one or more of the rights and powers conferred by this Article as the Trustee, being advised by counsel, shall deem to be in the best interests of the affected Bondholders. If an Event of Default under Section 6.01(b) hereof shall have occurred and is then continuing, the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding with respect to which an Event of Default has occurred shall have the right at any time, subject to the provisions of Section 6.08 hereof, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder, in accordance with the provisions of law and of this Indenture.

Section 6.04 *Waiver by Issuer.* Upon the occurrence of an Event of Default, to the extent that such right may then lawfully be waived, neither the Issuer nor anyone claiming through or under it shall set up, claim or seek to take advantage of any appraisal, valuation, stay, extension or redemption laws now or hereinafter in force, in order to prevent or hinder the enforcement of this Indenture; and the Issuer, for itself and all who may claim through or under it, hereby waives, to the extent that it lawfully may do so, the benefit of all such laws and all right of appraisal and redemption to which it may be entitled under the laws of the State and the United States.

Section 6.05 *Application of Moneys After Default.* All money collected by the Trustee at any time pursuant to this Article shall, except to the extent, if any, otherwise directed by a court of competent jurisdiction, be credited by the Trustee to the General Account of the

Revenue Fund. Such money so credited to the General Account of the Revenue Fund and all other money from time to time credited to the General Account of the Revenue Fund shall at all times be held, transferred, withdrawn and applied as prescribed by the provisions of Article IV hereof and this Section 6.05.

In the event that at any time the money credited to the Revenue Fund, the Bond Fund, the Redemption Fund, the Administration Fund and the Principal Reserve Fund available for the payment of interest or principal then due with respect to the Bonds shall be insufficient for such payment, such money (other than money held for the payment or redemption of particular Bonds as provided in Section 4.09 hereof) and amounts drawn from the Credit Facility under Section 6.02 hereof shall be applied as follows and in the following order of priority:

(a) For payment of all amounts due to the Trustee incurred in performance of its duties under this Indenture, including, without limitation, the payment of all reasonable fees and expenses of the Trustee incurred in exercising any remedies under this Indenture.

(b) So long as no Event of Default has occurred and is then continuing under Section 6.01(b) hereof, for the payment to the Credit Facility Provider of all amounts then due and unpaid under the Reimbursement Agreement (including with respect to Freddie Mac all Freddie Mac Credit Enhancement Fees and Freddie Mac Reimbursement Amounts).

(c) Unless the principal of all Bonds shall have become or have been declared due and payable:

FIRST: to the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available is not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference; and

SECOND: to the payment to the Persons entitled thereto of the unpaid principal of and premium, if any (which payment of premium shall not be restricted to Eligible Funds), on any Bonds which shall have become due, whether at maturity or by call for redemption, in the order in which they became due and payable, and, if the amount available is not sufficient to pay in full all the principal of and premium, if any, on the Bonds so due on any date, then to the payment of principal ratably, according to the amounts due on such date, to the Persons entitled thereto, without any discrimination or preference, and then to the payment of any premium due on the Bonds, ratably, according to the amounts due on such date, to the Persons entitled thereto, without any discrimination or preference.

(d) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal of, premium, if any (which payment of premium shall not be restricted to Eligible Funds), and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any

installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due, respectively, for principal, premium and interest, to the Persons entitled thereto without any discrimination or preference except as to any differences in the respective rates of interest specified in the Bonds.

(e) If an Event of Default has occurred and is then continuing under Section 6.01(b) hereof, for the payment to the Credit Facility Provider of all amounts then due and unpaid under the Reimbursement Agreement to the date of such Event of Default.

Section 6.06 *Rights of the Credit Facility Provider.* If an Event of Default under Section 6.01(a) or (c) shall have occurred and so long as no Event of Default has occurred and is then continuing under Section 6.01(b) hereof, upon receipt of the written direction of the Credit Facility Provider (which direction may be given in the sole discretion of the Credit Facility Provider), the Trustee shall be obligated to exercise any right or power conferred by this Article in the manner set forth in such written direction of the Credit Facility Provider. If such written direction expressly states that the Trustee may exercise one or more of the rights and powers conferred in this Article as the Trustee shall deem to be in the interest of the Bondholders and the Credit Facility Provider, the Trustee shall exercise one or more of such rights and powers as the Trustee, being advised by counsel, shall deem to be in the best interests of the Bondholders and the Credit Facility Provider; provided, however, that in any event, so long as no Event of Default has occurred and is then continuing under Section 6.01(b) hereof, the Trustee may not undertake any action to realize, through sale or otherwise, upon the Bond Mortgage Loan without the express written direction of the Credit Facility Provider. So long as no Event of Default has occurred and is then continuing under Section 6.01(b) hereof, in the case of an Event of Default under Section 6.01(a) or (c) hereof, the Credit Facility Provider shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder, in accordance with the provisions of law and of this Indenture.

Section 6.07 *Remedies Vested in Trustee.* All rights of action, including the right to file proof of claims, under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds, and any recovery or judgment shall be for the mutual benefit as provided herein of all of the Holders of the Outstanding Bonds.

Section 6.08 *Remedies of Bondholders.* No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust hereunder or for the appointment of a receiver or any other remedy hereunder, unless (a) a default shall have occurred of which the Trustee shall have been notified as provided herein; (b) such default shall have become an Event of Default under Section 6.01(b) hereof; (c) the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding with respect to which there is such an Event of Default shall have made written request to the Trustee and shall have offered reasonable opportunity to the Trustee either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding

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

Section 6.09 *Termination of Proceedings.* In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer, the Trustee, the Credit Facility Provider, the Borrower and the Bondholders shall be restored to their former positions and rights hereunder with respect to the Trust Estate herein conveyed, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 6.10 *Waivers of Events of Default.* So long as no Event of Default has occurred and is then continuing under Section 6.01(b) hereof, the Trustee shall waive any Event of Default hereunder and its consequences and rescind any declaration of maturity of principal of, premium, if any, and interest on the Bonds only upon the written direction of the Credit Facility Provider. If there shall have occurred and is then continuing an Event of Default under Section 6.01(b) hereof, the Trustee shall waive any Event of Default hereunder and its consequences and rescind any declaration of maturity of principal of, premium, if any, and interest on the Bonds upon the written request of the Holders of 100% of the Bonds then Outstanding with respect to which there is a default; provided, however, that there shall not be waived (a) any Event of Default in the payment of the principal of any Bonds (other than Purchased Bonds) at the date of maturity specified therein, or upon proceedings for mandatory redemption or in the Purchase Price of any Bonds (other than Purchased Bonds), (b) any default in the payment when due of the interest or premium on any such Bonds (other than Purchased Bonds), unless prior to such waiver or rescission all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such default shall have occurred on overdue installments of interest or all arrears of payments of principal or premium, if any, when due (whether at the stated maturity thereof or upon proceedings for mandatory redemption) as the case may be, and all expenses of the Trustee in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, the Trustee, the Credit Facility Provider and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereto.

Section 6.11 *Notice to Bondholders if Default Occurs.* Upon the occurrence of an Event of Default, or if an event occurs which could lead to an Event of Default with the passage of time and of which the Trustee is required to take notice pursuant to Section 7.02(1) hereof, the Trustee shall, within thirty (30) days, give written notice thereof by first class mail to the registered Owners of all Bonds then Outstanding. Notwithstanding the foregoing, except in the case of an Event of Default with respect to the payment of principal of or premium, if any, and interest on the Bonds, the Trustee shall be protected in withholding such notice if and so long as the board of directors of the Trustee, the executive committee, or a trust committee of directors or officers of the Trustee in good faith determines that the withholding of such notice is in the best interests of the Holders of the Bonds.

ARTICLE VII

CONCERNING THE TRUSTEE

Section 7.01 *Standard of Care.* The Trustee, prior to an Event of Default as defined in Section 6.01 and after the curing or waiver of all such events which may have occurred, shall perform such duties and only such duties as are specifically set forth in this Indenture. The Trustee, during the existence of any such Event of Default (which shall not have been cured or waived), shall exercise such rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent Person would exercise or use under similar circumstances in the conduct of such Person's own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligence or willful misconduct, except that:

- (a) prior to an Event of Default hereunder, and after the curing or waiver of all such Events of Default which may have occurred:
 - (i) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture; and
 - (ii) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee by the Person or Persons authorized to furnish the same;
- (b) at all times, regardless of whether or not any such Event of Default shall exist:
 - (i) the Trustee shall not be liable for any error of judgment made in good faith by an officer or employee of the Trustee; and
 - (ii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Credit Facility Provider or the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding (or such lesser or greater

percentage as is specifically required or permitted by this Indenture) relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

Section 7.02 *Reliance Upon Documents.* Except as otherwise provided in Section 7.01:

(a) the Trustee may rely upon the authenticity or truth of the statements and the correctness of the opinions expressed in, and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, notarial seal, stamp, acknowledgment, verification, request, consent, order, bond, or other paper or document of the proper party or parties;

(b) any notice, request, direction, election, order or demand of the Issuer mentioned herein shall be sufficiently evidenced by an instrument signed in the name of the Issuer by an Authorized Officer of the Issuer (unless other evidence in respect thereof be herein specifically prescribed), and any resolution of the Issuer may be evidenced to the Trustee by a copy of such resolution duly certified by the Secretary of the Issuer;

(c) any notice, request, certificate, statement, requisition, direction, election, order or demand of the Borrower mentioned herein shall be sufficiently evidenced by an instrument purporting to be signed in the name of the Borrower by any Authorized Officer of the Borrower (unless other evidence in respect thereof be herein specifically prescribed), and any resolution or certification of the Borrower may be evidenced to the Trustee by a copy of such resolution duly certified by a secretary or other authorized representative of the Borrower;

(d) any notice, request, certificate, statement, requisition, direction, election, order or demand of the Servicer mentioned herein shall be sufficiently evidenced by an instrument signed in the name of the Servicer by an Authorized Officer of the Servicer (unless other evidence in respect thereof be herein specifically prescribed);

(e) any notice, request, direction, election, order or demand of the Credit Facility Provider mentioned herein shall be sufficiently evidenced by an instrument purporting to be signed in the name of the Credit Facility Provider by any Authorized Officer of the Credit Facility Provider (unless other evidence in respect thereof be herein specifically prescribed);

(f) any notice, request, direction, election, order or demand of the Remarketing Agent mentioned herein shall be sufficiently evidenced by an instrument purporting to be signed in the name of the Remarketing Agent by any Authorized Officer of the Remarketing Agent (unless other evidence in respect thereof be herein specifically prescribed);

(g) any notice, request, direction, election, order or demand of the Tender Agent mentioned herein shall be sufficiently evidenced by an instrument purporting to be signed in the name of the Tender Agent by any Authorized Officer of the Tender Agent (unless other evidence in respect thereof be herein specifically prescribed);

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

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

(j) the recitals herein and in the Bonds (except the Trustee's Certificate of Authentication thereon) shall be taken as the statements of the Issuer and the Borrower and shall not be considered as made by or imposing any obligation or liability upon the Trustee. The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the title of the Issuer or the Borrower to the Trust Estate, or as to the security of this Indenture, or of the Bonds issued hereunder, and the Trustee shall incur no liability or responsibility in respect of any of such matters;

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

(l) the Trustee shall not be required to ascertain or inquire as to the performance or observance of any of the covenants or agreements herein or in any contracts or securities assigned or conveyed to or pledged with the Trustee hereunder, except Events of Default that are evident under Section 6.01(a) or Section 6.01(b) hereof. The Trustee shall not be required to take notice or be deemed to have notice or actual knowledge of any default or Event of Default specified in Section 6.01 hereof (except defaults under Section 6.01(a) or Section 6.01(b) hereof) unless the Trustee shall receive from the Issuer, the Credit Facility Provider or the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding written notice stating that a default or Event of Default has occurred and specifying the same, and in the absence of such notice the Trustee may conclusively assume that there is not such default. Every provision contained in this Indenture or related instruments or in any such contract or security wherein the duty of the Trustee depends on the occurrence and continuance of such default shall be subject to the provisions of this subsection (l);

(m) the Trustee shall be under no duty to confirm or verify any financial or other statements or reports or certificates furnished pursuant to any provisions hereof, and shall be

under no other duty in respect of the same except to retain the same in its files and permit the inspection of the same at reasonable times by the Holder of any Bond; and

(n) the Trustee shall be under no obligation to exercise those rights or powers vested in it by this Indenture, other than such rights and powers which it shall be obliged to exercise in the ordinary course of its trusteeship under the terms and provisions of this Indenture, at the request or direction of any of the Bondholders pursuant to Sections 6.03 and 6.08 of this Indenture, unless such Bondholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in the compliance with such request or direction.

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

The Trustee is authorized and directed to execute in its capacity as Trustee the Financing Agreement, the Tax Regulatory Agreement and the Intercreditor Agreement and shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

The Trustee or any of its affiliates may act as advisor or sponsor with respect to any Qualified Investments.

The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Indenture provided, however, that: (a) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, (b) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (c) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

Section 7.03 Use of Proceeds. The Trustee shall not be accountable for the use or application of any of the Bonds authenticated or delivered hereunder or of the proceeds of the Bonds except as provided in Articles II and V hereof.

Section 7.04 Trustee May Hold Bonds. The Trustee and its officers and directors may acquire and hold, or become pledgees of Bonds and otherwise may deal with the Issuer and the Owner in the same manner and to the same extent and with like effect as though it were not Trustee hereunder.

Section 7.05 Trust Imposed. All money received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other money except to the extent required by law.

Section 7.06 Compensation of Trustee. The Trustee shall be entitled to its Ordinary Trustee's Fees and Expenses in connection with the services rendered by it in the execution of

the trusts hereby created and in the exercise and performance of any of the powers and duties hereunder of the Trustee to the extent money is available therefor, in accordance with Section 4.06 hereof, exclusive of Extraordinary Services. The Trustee shall be entitled to Extraordinary Trustee's Fees and Expenses in connection with any Extraordinary Services performed consistent with the duties hereunder; provided the Trustee shall not incur any Extraordinary Trustee's Fees and Expenses without the consent of the Credit Facility Provider (except that no consent shall be required if an Event of Default under 6.01(b) has occurred and is continuing). If any property, other than cash, shall at any time be held by the Trustee subject to this Indenture, or any supplemental indenture, as security for the Bonds, the Trustee, if and to the extent authorized by a receivership, bankruptcy, or other court of competent jurisdiction or by the instrument subjecting such property to the provisions of this Indenture as such security for the Bonds, shall be entitled to make advances for the purpose of preserving such property or of discharging tax liens or other liens or encumbrances thereon. Payment to the Trustee for its services and reimbursement to the Trustee for its expenses, disbursements, liabilities and advances, shall be limited to the sources described in Section 4.06 hereof and in the Financing Agreement. The Issuer shall have no liability for Trustee's fees, costs or expenses. Subject to the provisions of Section 7.09 hereof, the Trustee agrees that it shall continue to perform its duties hereunder even in the event that money designated for payment of its fees shall be insufficient for such purposes or in the event that the Borrower fails to pay the Ordinary Trustee's Fees and Expenses, as required by the Financing Agreement.

The Borrower shall indemnify and hold harmless the Trustee and its officers, directors, officials, employees, agents, receivers, attorneys, accountants, advisors, consultants and servants, past, present or future, from and against (a) any and all claims by or on behalf of any person arising from any cause whatsoever in connection with this Indenture or transactions contemplated thereby, the Project, or the issuance, offering, sale or remarketing of the Bonds; (b) any and all claims arising from any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees in connection with the Project, or the issuance, offering, sale or remarketing of the Bonds; and (c) all costs, counsel fees, expenses or liabilities incurred in connection with any such claim or proceeding brought thereon; except that the Borrower shall not be required to indemnify any person for damages caused by the willful misconduct or unlawful acts of such person. In the event that any action or proceeding is brought or claim made against the Trustee, or any of its officers, directors, officials, employees, agents, receivers, attorneys, accountants, advisors, consultants or servants, with respect to which indemnity may be sought hereunder, the Borrower, upon written notice thereof from the indemnified party, shall assume the investigation and defense thereof, including the employment of counsel and the payment of all expenses. The indemnified party shall have the right to approve a settlement to which it is a party and to employ separate counsel in any such action or proceedings and to participate in the investigation and defense thereof, and the Borrower shall pay the reasonable fees and expenses of such separate counsel. The provisions of this Section shall survive the termination of this Indenture.

Section 7.07 *Qualifications of Trustee.* There shall at all times be a Trustee hereunder which shall be a bank with trust powers or a corporation organized and doing business under the laws of the United States or any state thereof, authorized under such laws to exercise corporate trust powers. Any successor Trustee shall have a combined capital and surplus of at least \$50,000,000 (or shall be a wholly-owned subsidiary of an association or corporation that has

such combined capital and surplus), and be subject to supervision or examination by federal or state authority, or shall have been appointed by a court of competent jurisdiction pursuant to Section 7.09. If such association or corporation publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority referred to above, then for the purposes of this Section, the combined capital and surplus of such association or corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section and another association or corporation is eligible, the Trustee shall resign immediately in the manner and with the effect specified in Section 7.09.

Section 7.08 *Merger of Trustee.* Any association or corporation into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any association or corporation resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party shall, ipso facto, be and become successor Trustee hereunder and vested with all the title to the whole property or Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instruments or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding, and shall also be and become successor Trustee in respect of the beneficial interest of the Trustee in the Bond Mortgage Loan.

Section 7.09 *Resignation by the Trustee.* The Trustee may at any time resign from the trusts hereby created by giving written notice to the Issuer, the Borrower, the Tender Agent, the Remarketing Agent and the Credit Facility Provider, and by giving notice by certified mail or overnight delivery service to each Holder of the Bonds then Outstanding. Such notice to the Issuer, the Borrower, the Tender Agent, the Remarketing Agent and the Credit Facility Provider may be served personally or sent by certified mail. The resignation of the Trustee shall not be effective until a successor Trustee has been appointed as provided herein and such successor Trustee shall have agreed in writing to be bound by the duties and obligations of the Trustee under the Intercreditor Agreement.

Section 7.10 *Removal of the Trustee.*

(a) The Trustee may be removed at any time, either with or without cause, with the consent of the Credit Facility Provider (which consent of the Credit Facility Provider shall not be unreasonably withheld), by a written instrument signed by the Issuer and delivered to the Trustee, the Borrower, the Tender Agent and the Remarketing Agent, and if an Event of Default shall have occurred and be continuing, other than an Event of Default under Section 6.01(b), by a written instrument signed by the Credit Facility Provider and delivered to the Trustee, the Issuer, the Borrower, the Tender Agent and the Remarketing Agent. The Trustee may also be removed, if an Event of Default under Section 6.01(b) shall have occurred and be continuing, by a written instrument or concurrent instruments signed by the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding and delivered to the Trustee, the Issuer, the Borrower, the Tender Agent, the Remarketing Agent and the Credit Facility Provider. The Trustee may also be removed by the Credit Facility Provider following notice to the Issuer and

after a 30-day period during which the Issuer may attempt to cause the Trustee to discharge its duties in a manner acceptable to the Credit Facility Provider, and in each case written notice of such removal shall be given to the Servicer, the Borrower, the Remarketing Agent and to each Registered Owner of the Bonds then Outstanding as shown on the Bond Register. Any such removal shall take effect on the day specified in such written instrument(s), but the Trustee shall not be discharged from the trusts hereby created until a successor Trustee has been appointed and has accepted such appointment and has agreed in writing to be bound by the duties and obligations of the Trustee under the Intercreditor Agreement.

Section 7.11 *Appointment of Successor Trustee.*

(a) In case at any time the Trustee shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or shall be adjudged a bankrupt or insolvent, or if a receiver of the Trustee or of its property shall be appointed, or if a public supervisory office shall take charge or control of the Trustee or of its property or affairs, a vacancy shall forthwith and *ipso facto* be created in the office of such Trustee hereunder, and the Issuer, with the written consent of the Credit Facility Provider, shall promptly appoint a successor Trustee and give notice of such appointment to the Remarketing Agent. Any such appointment shall be made by a written instrument executed by an Authorized Officer of the Issuer.

(b) If, in a proper case, no appointment of a successor Trustee shall be made pursuant to subsection (a) of this Section within sixty (60) days following delivery of all required notices of resignation given pursuant to Section 7.09 or of removal of the Trustee pursuant to Section 7.10, the retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. The court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Section 7.12 *Concerning Any Successor Trustee.* Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer a written instrument accepting such appointment hereunder, accepting assignment of the beneficial interest in the Bond Mortgage, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the Trust Estate and the rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Issuer, the Borrower or the Credit Facility Provider, or of its successor, and upon payment of all amounts due such predecessor, including but not limited to fees and expenses of counsel, execute and deliver such instruments as may be appropriate to transfer to such successor Trustee all the Trust Estate and the rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities, including, but not limited to, the existing Credit Facility, and money held by it as Trustee hereunder to its successor. Should any instrument in writing from the Issuer be required by a successor Trustee for more fully and certainly vesting in such successor the Trust Estate and all rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article, shall be filed and/or recorded by the successor Trustee in each recording office where this Indenture shall have been

filed and/or recorded. Each successor Trustee shall mail notice by first class mail, postage prepaid, at least once within 30 days of such appointment, to the Owners of all Bonds Outstanding at their addresses on the Bond Register.

Section 7.13 *Successor Trustee as Trustee, Paying Agent and Bond Registrar.* In the event of a change in the office of Trustee, the predecessor Trustee which shall have resigned or shall have been removed shall cease to be trustee and paying agent on the Bonds and Bond Registrar, and the successor Trustee shall become such Trustee, Paying Agent and Bond Registrar.

Section 7.14 *Appointment of Co-Trustee or Separate Trustee.* It is the intent of the Issuer and the Trustee that there shall be no violation of any law of any jurisdiction (including particularly the laws of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in case of litigation under or connected with this Indenture, the Financing Agreement or any of the other Bond Financing Document, and, in particular, in case of the enforcement of any remedies on default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein or therein granted to the Trustee or hold title to the properties in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee, with the consent of the Issuer, appoint an additional individual or institution as a co-trustee or separate trustee.

In the event that the Trustee appoints an additional individual or institution as a co-trustee or separate trustee, in the event of the incapacity or lack of authority of the Trustee, by reason of any present or future law of any jurisdiction, to exercise any of the rights, powers, trusts and remedies granted to the Trustee herein or to hold title to the Trust Estate or to take any other action that may be necessary or desirable in connection therewith, each and every remedy, power, right, obligation, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be imposed upon, exercised by or vested in or conveyed to the Trustee with respect thereto shall be imposed upon, exercisable by and vest in such separate trustee or co-trustee, but only to the extent necessary to enable such co-trustee or separate trustee to exercise such powers, rights, trusts and remedies, and every covenant and obligation necessary to the exercise thereof by such co-trustee or separate trustee shall run to and be enforceable by either of them, subject to the remaining provisions of this Section. Such co-trustee or separate trustee shall deliver an instrument in writing acknowledging and accepting its appointment hereunder to the Issuer and the Trustee.

Should any instrument in writing from the Issuer be required by the co-trustee or separate trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer, the Trustee and the Borrower. If the Issuer shall fail to deliver the same with thirty (30) days of such request, the Trustee is hereby appointed attorney-in-fact for the Issuer to execute, acknowledge and deliver such instruments in the Issuer's name and stead. In case any co-trustee or separate trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such co-trustee or separate trustee, so

far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such co-trustee or separate trustee.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms, namely:

The Bonds shall be authenticated and delivered, and all rights, powers, trusts, duties and obligations by this Indenture conferred upon the Trustee in respect of the custody, control or management of money, papers, securities and other personal property shall be exercised solely by the Trustee;

(a) all rights, powers, trusts, duties and obligations conferred or imposed upon the Trustee shall be conferred or imposed upon or exercised or performed by the Trustee, or by the Trustee and such co-trustee, or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under the law of any jurisdiction in which any particular act or acts are to be performed the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-trustee or separate trustee;

(b) any request in writing by the Trustee to any co-trustee or separate trustee to take or to refrain from taking any action hereunder shall be sufficient warrant for the taking or the refraining from taking of such action by such co-trustee or separate trustee;

(c) any co-trustee or separate trustee to the extent permitted by law shall delegate to the Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise;

(d) the Trustee at any time by an instrument in writing with the concurrence of the Issuer evidenced by a certified resolution may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section and in case an Event of Default shall have occurred and be continuing, the Trustee shall have power to accept the resignation of or remove any such co-trustee or separate trustee without the concurrence of the Issuer, and upon the request of the Trustee, the Issuer shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section;

(e) no Trustee or co-trustee hereunder shall be personally liable by reason of any act or omission of any other Trustee hereunder;

(f) any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing executed by the Bondholders and delivered to the Trustee shall be deemed to have been delivered to each such co-trustee or separate trustee; and

(g) any money, papers, securities or other items of personal property received by any such co-trustee or separate trustee hereunder shall forthwith, so far as may be permitted by law, be turned over to the Trustee.

The total compensation of the Trustee and co-trustee or separate trustee shall be as, and may not exceed the amount, provided in Section 7.06 hereof.

Section 7.15 *Notice of Certain Events.* The Trustee shall give written notice to the Issuer, the Servicer and the Credit Facility Provider of any failure by the Borrower to comply with the terms of the Tax Regulatory Agreement or any Market Risk Event of which a Responsible Officer has actual knowledge. The Trustee shall provide prompt written notice by first class mail to the Holders in accordance with Section 3.03 of this Indenture of any Market Risk Event of the type described in paragraph (a) of the definition thereof of which the Trustee is aware.

Section 7.16 *Record of Freddie Mac Credit Enhancement Payments and Freddie Mac Reimbursement Amounts.* The Trustee shall maintain records of all Freddie Mac Credit Enhancement Payments received by it from Freddie Mac under the Credit Enhancement Agreement and of all Freddie Mac Reimbursement Amounts paid by the Trustee to Freddie Mac or known by the Trustee to be due to Freddie Mac but unpaid from time to time. The Trustee hereby agrees, upon receipt of a written request from Freddie Mac, to cooperate with Freddie Mac and the Servicer in connection with the reconciliation of the Trustee's records maintained pursuant to this Section 7.16 and any similar records maintained by Freddie Mac or the Servicer.

Section 7.17 *Filing of Financing Statements.* The Trustee shall file or record or cause to be filed or recorded all UCC continuation statements for the purpose of continuing without lapse the effectiveness of those financing statements which have been filed on or approximately on the Delivery Date in connection with the security for the Bonds pursuant to the authority of the UCC. Upon the filing of any such continuation statement the Trustee shall immediately notify the Issuer, the Borrower, the Credit Facility Provider and the Servicer that the same has been done. If direction is given by the Servicer or the Credit Facility Provider, the Trustee shall file all continuation statements in accordance with such directions.

ARTICLE VIII

SUPPLEMENTAL INDENTURES AND AMENDMENTS OF CERTAIN DOCUMENTS

Section 8.01 *Supplemental Indentures Not Requiring Consent of Bondholders.* The Issuer and the Trustee may from time to time and at any time, without the consent of, or notice to, any of the Bondholders, but with the prior written consent of the Credit Facility Provider, enter into an indenture or indentures supplemental to this Indenture for any one or more of the following purposes:

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

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

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

(d) to modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under any state blue sky laws;

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

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

(g) during a Variable Period, to modify, amend or supplement this Indenture in any other respect, including amendments which would otherwise be described in Section 8.02 hereof, if notice of the proposed supplemental indenture is given to Bondholders (in the same manner as notices of redemption are given) at least thirty (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 Section 10.01 hereof;

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

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

(j) to modify, amend or supplement this Indenture in any other respect which is not materially adverse to the Holders of the Bonds to be Outstanding after the effective date of the change and which does not involve a change described in Section 8.02.

Section 8.02 *Supplemental Indentures Requiring Consent of Bondholders.* With the prior written consent of the Credit Facility Provider, the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the Issuer and the Trustee of such indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the Issuer for the

purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture; provided, however, that nothing in this Section contained shall permit, or be construed as permitting, (a) an extension of the time for payment of or reduction in the Purchase Price, or an extension of the time for payment of, or an extension of the stated maturity or reduction in the principal amount or reduction in the rate of interest on or extension of the time of payment, of interest on, or reduction of any premium payable on the redemption of, any Bonds, or a reduction in the Borrower's obligation on the Bond Mortgage Note, without the consent of the Holders of all of the Bonds then Outstanding, (b) the creation of any lien prior to or on a parity with the lien of this Indenture, (c) a reduction in the aforesaid percentage of the principal amount of Bonds which is required in connection with the giving of consent to any such supplemental indenture, without the consent of the Holders of all of the Bonds then Outstanding, (d) the modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee, (e) a privilege or priority of any Bond over any other Bonds, (f) any action that results in the interest on the Bonds becoming included in gross income for federal income tax purposes or (g) the modification of the rights, duties or immunities of the Remarketing Agent, without the written consent of the Remarketing Agent.

If at any time the Issuer shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed, postage prepaid, to all registered Bondholders and to the Credit Facility Provider. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the corporate trust office of the Trustee for inspection by all Bondholders.

Thirty (30) days after the date of the mailing of such notice, the Issuer and the Trustee may enter into such supplemental indenture substantially in the form described in such notice, but only if there shall have first been or is simultaneously delivered to the Trustee the required consents, in writing, of the Credit Facility Provider and the Holders of not less than the percentage of Bonds required by this Section. If the Holders of not less than the percentage of Bonds required by this Section shall have consented to and approved the execution and delivery of a supplemental indenture as provided herein, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this Section permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith. The Trustee may rely upon an opinion of counsel as conclusive evidence that execution and delivery of a supplemental indenture has been effected in compliance with the provisions of this Article

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

regard, the Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture to be mailed by certified or registered mail to the Borrower or the Borrower's attorney at least fifteen (15) days prior to the proposed date of execution and delivery of any supplemental indenture.

Notwithstanding any other provision of this Indenture, the Issuer and the Trustee may consent to any supplemental indenture upon receipt of the consent of the Credit Facility Provider, the Holders of all Bonds then Outstanding and, as applicable, the Borrower.

Section 8.03 Amendments to Financing Agreement Not Requiring Consent of Bondholders. The Trustee shall, without the consent of, or notice to, the Bondholders, but with the consent of the Borrower and the Credit Facility Provider, consent to any amendment, change or modification of the Financing Agreement as follows:

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

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

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

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

(e) during a Variable Period, to modify, amend or supplement the Financing Agreement in any other respect, including amendments which would otherwise be described in Section 8.04 hereof, if notice of the proposed amendments is given to Bondholders (in the same manner as notices of redemption are given) at least thirty (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 Section 10.01 hereof;

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

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

Section 8.04 Amendments to Financing Agreement Requiring Consent of Bondholders. Except for the amendments, changes or modifications of the Financing Agreement as provided in Section 8.03 hereof, neither the Issuer nor the Trustee shall consent to any other amendment, change or modification of the Financing Agreement without the consent of the Credit Facility Provider and the Borrower and without the giving of notice and the written approval or consent of the Holders of at least 51% of the aggregate principal amount of the Bonds then Outstanding given and procured in accordance with the procedure set forth in Section 8.02 hereof; provided, however, that nothing contained in this Section 8.04 shall permit, or be construed as permitting, any amendment, change or modification of the Borrower's obligation to make the payments required under the Financing Agreement without the consent of the Holders of all of the Bonds then Outstanding. If at any time the Issuer and the Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification of the Financing Agreement, the Trustee shall cause notice of such proposed amendment, change or modification to be given in the same manner as provided in Section 8.02 hereof. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal office of the Trustee for inspection by Bondholders.

Section 8.05 Amendments to the Credit Facility. The Trustee may, without the consent of, or notice to, any of the Bondholders enter into any amendment, change or modification of the Credit Facility (a) as may be required by the provisions of the Credit Facility (including but not limited to Section 3.4(b) of the Credit Enhancement Agreement), (b) to cure any formal defect, omission, inconsistency or ambiguity in the Credit Facility, (c) in a manner which is not prejudicial to the interests of the Bondholders (which shall be conclusively evidenced by an opinion of counsel delivered to the Trustee, the Issuer and the Credit Facility Provider or by a written confirmation from the Rating Agency of the then existing rating on the Bonds delivered to the Trustee, the Issuer and the Credit Facility Provider), or (d) as required by the Rating Agency to maintain the then current rating on the Bonds.

Section 8.06 Opinion of Bond Counsel Required. No supplement or amendment to the Financing Agreement or this Indenture, as described in this Article VIII shall be effective until the Issuer, the Trustee and the Credit Facility Provider shall have received an opinion of Bond Counsel to the effect that such supplement or amendment is authorized or permitted by this Indenture and, upon execution and delivery thereof, will be valid and binding upon the Issuer in accordance with its terms and will not cause interest on the Bonds to be includable in gross income of the Holders thereof for federal income tax purposes. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, the opinion of any counsel approved by it as conclusive evidence that (i) any proposed supplemental indenture or amendment permitted by this Article VIII complies with the provisions of this Indenture, (ii) it is proper for the Trustee to join in the execution of that supplemental indenture or amendment under the provisions of this Article VIII and (iii) if applicable, any such proposed supplemental indenture or amendment is not materially adverse to the interests of the Bondholders.

ARTICLE IX

SATISFACTION AND DISCHARGE OF INDENTURE

Section 9.01 *Discharge of Lien.* If the Issuer shall pay or cause to be paid to the Holders of the Bonds the principal, interest and premium, if any, to become due thereon at the times and in the manner stipulated therein and herein, in any one or more of the following ways:

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

(b) by (i) the deposit or credit to the account of the Trustee, in trust, of money or securities in the necessary amount (as provided in Section 9.04) to pay the principal, redemption price or Purchase Price and interest to the date established for purchase or redemption (calculated at the Maximum Rate to the extent the Bonds then bear interest at a Variable Rate for any period for which the Variable Rate on such Bonds has not yet been established pursuant to Section 2.02 hereof) whether by redemption, purchase or otherwise, (ii) if the Bonds then bear interest at the Variable Rate, the delivery to the Trustee of a written confirmation by the Rating Agency of the rating then existing on the Bonds as of the date of such deposit or credit; and (iii) receipt by the Issuer and the Trustee of an opinion of Bond Counsel to the effect that such deposit will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes; or

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

and shall have paid all amounts due and owing to the Credit Facility Provider hereunder and under the Credit Facility and the Reimbursement Agreement, including but not limited to the Freddie Mac Reimbursement Amount and the Freddie Mac Credit Enhancement Fee, and shall have paid all fees and expenses of, and other amounts owing to, the Trustee, the Servicer, the Tender Agent, the Remarketing Agent and each Paying Agent, and if the Issuer shall keep, perform and observe all and singular the covenants and promises in the Bonds and in this Indenture expressed as to be kept, performed and observed by it or on its part, then these presents and the estates and rights hereby granted shall cease, determine and be void, and thereupon the Trustee shall cancel and discharge the lien of this Indenture and execute and deliver to the Issuer such instruments in writing as shall be requisite to satisfy the lien hereof, and reconvey to the Issuer the estate hereby conveyed, and assign and deliver to the Issuer any interest in property at the time subject to the lien of this Indenture which may then be in its possession, except amounts held by the Trustee for the payment of principal of, interest and premium, if any, on the Bonds, the payment of any amounts owed to the United States pursuant to Section 4.12 or the payment of any amounts payable to the Credit Facility Provider.

Any Outstanding Bond shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this Section if, under circumstances which do not cause interest on the Bonds to become includable in the Holders' gross income for purposes of federal income taxation, the following conditions

shall have been fulfilled: (a) in case such Bond is to be redeemed on any date prior to its maturity, the Trustee shall have given to the Bondholder irrevocable notice of redemption of such Bond on said date; (b) there shall be on deposit with the Trustee, pursuant to Section 9.04 hereof, either money or direct obligations of the United States of America in an amount, together with anticipated earnings thereon (but not including any reinvestment of such earnings), which will be sufficient to pay, when due, the principal or redemption price, if applicable, and interest due and to become due on such Bond on the redemption date or maturity date thereof, as the case may be; (c) in the case of Bonds which do not mature or will not be redeemed within 60 days of such deposit, the Trustee shall have received a verification report of a firm of certified public accountants reasonably acceptable to the Trustee as to the adequacy of the amounts so deposited to fully pay the Bonds deemed to be paid; and (d) the Trustee shall have received an opinion of nationally recognized bankruptcy counsel, if required by subpart (e) of the definition of "Eligible Funds" herein, to the effect that such money constitutes Eligible Funds.

The Trustee shall in no event cause the Bonds to be optionally redeemed from money deposited pursuant to this Article IX unless the requirements of Article III have been met with respect to such redemption, including the requirements of Section 3.01(a)(iii) and (iv) hereof.

Section 9.02 *Discharge of Liability on Bonds.* Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 9.01) to pay or redeem Outstanding Bonds (whether upon or prior to their maturity or the redemption date of such Bonds) provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article III provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, all liability of the Issuer in respect of such Bonds shall cease, terminate and be completely discharged, except only that thereafter the holders thereof shall be entitled to payment by the Issuer, and the Issuer shall remain liable for such payment, but only out of the money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 9.03. If Outstanding Bonds bear interest at a Reset Rate upon a deposit sufficient to discharge the liability thereon pursuant to this Section 9.02, such Bonds must be redeemed on or before the last day of the current Reset Period.

Section 9.03 *Payment of Bonds After Discharge of Indenture.* Notwithstanding any provisions of this Indenture and except as may be require by applicable State law, any money deposited with the Trustee or any paying agent in trust for the payment of the principal of, or interest or premium on, any Bonds remaining unclaimed for two (2) years after the principal of all the outstanding Bonds, or any interest thereon, has become due and payable (whether at maturity or upon call for redemption or by declaration as provided in this Indenture), shall then be paid to the Issuer, and the Holders of such Bonds shall thereafter be entitled to look only to the Issuer for payment thereof, and only to the extent of the amount so paid to the Issuer, and all liability of the Trustee or any paying agent with respect to such money shall thereupon cease. In the event of the payment of any such money to the Issuer as aforesaid, the Holders of the Bonds in respect of which such money were deposited shall thereafter be deemed to be unsecured creditors of the Issuer for amounts equivalent to the respective amounts so paid to the Issuer and deposited for the payment of such Bonds (without interest to such holders thereon). In the absence of any such written request, the Trustee shall from time to time deliver such unclaimed funds to or as directed by pertinent escheat authority, as identified by the Trustee in its sole

discretion, pursuant to and in accordance with applicable unclaimed property laws, rules or regulations. Any such delivery shall be in accordance with the customary practices and procedures of the Trustee and the escheat authority. All moneys held by the Trustee and subject to this Section shall be held uninvested and without liability for interest thereon. Before making any payment under this Section, the Trustee shall be entitled to receive at the Borrower's expense an opinion of counsel to the effect that said payment is permitted under applicable law.

Section 9.04 *Deposit of Money or Securities with Trustee.* Whenever in this Indenture it is provided or permitted that there be deposited with or credited to the account of or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held shall be Eligible Funds (or Government Obligations purchased with Eligible Funds) constituting:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which there shall have been furnished to the Trustee proof satisfactory to it that notice of such redemption on a specified redemption date has been duly given or provision satisfactory to the Trustee shall be made for such notice, the amount so to be deposited or held shall be the principal amount of such Bonds and interest thereon to the redemption date, together with the redemption premium, if any; or

(b) noncallable and nonprepayable direct obligations of the United States of America or noncallable and nonprepayable obligations which as to principal and interest constitute full faith and credit obligations of the United States of America, in such amounts and maturing at such times that the proceeds of said obligations received upon their respective maturities and interest payment dates, without further reinvestment, will provide funds sufficient, in the opinion of a nationally recognized firm of certified public accountants, to pay the principal, premium, if any, and interest to maturity, or to the redemption date, as the case may be, with respect to all of the Bonds to be paid or redeemed, as such principal, premium and interest become due; provided that the Trustee shall have been irrevocably instructed by the Issuer to apply the proceeds of said obligations to the payment of said principal, premium, if any, and interest with respect to such Bonds.

ARTICLE X

REMARKETING AND PURCHASE OF BONDS

Section 10.01 *Demand for and Mandatory Purchase of Bonds.* Any Bonds (other than Purchased Bonds), or any units of principal amount thereof in Authorized Denominations, shall be purchased from the proceeds of remarketing thereof as described in Section 10.03 or from the sources prescribed in Section 10.04 hereof, (a) on demand of the owner of such Bond (or, so long as Bonds are in "book-entry only" form pursuant to Section 2.12, demand of a DTC Participant, as defined in Section 2.12 hereof, with respect to such Bonds) on any Business Day during a Variable Period which is an Optional Tender Date (as defined below), or (b) upon being tendered or deemed tendered pursuant to Section 2.13 or 10.02 hereof, on any Reset Adjustment Date,

Variable Rate Adjustment Date, the Fixed Rate Adjustment Date and any Substitution Date (even if such Reset Adjustment Date, Variable Rate Adjustment Date, Fixed Rate Adjustment Date or Substitution Date for which notice has been given by the Trustee to the Bondholders fails to occur). Bonds shall be purchased for a Purchase Price equal to the principal amount thereof, or of any units thereof purchased in Authorized Denominations, plus interest accrued thereon, if any, to the Settlement Date. Bonds shall be purchased upon (i) in the case of a purchase upon the demand of an owner or DTC Participant, delivery to the Tender Agent, with a copy to the Trustee and the Remarketing Agent, of a written notice in the form set forth as **Exhibit B** hereto (a “Tender Notice”) which states (A) the principal amount of such Bond for which payment is demanded, (B) that such demand is irrevocable and (C) the date on which such Bond or units of principal amount thereof in Authorized Denominations shall be purchased pursuant to this Section 10.01, which date shall be a Business Day not prior to the seventh (7th) day next succeeding the date of the receipt of the Tender Notice by the Tender Agent (an “Optional Tender Date”); and (ii) in all cases, delivery of such Bond (with an appropriate transfer of registration form executed in blank and in form satisfactory to the Tender Agent) to the Tender Agent, at or prior to 9.30 a.m., Washington, D.C. time, on the Settlement Date. In the event that a depository is appointed pursuant to Section 2.12 hereof and a “book-entry only” system is in effect with respect to the Bonds, delivery of Bonds for purchase on the Settlement Date shall be effected in the manner set forth by such depository.

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

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

If the Trustee shall have received the items required by Section 2.02 or Section 2.13, as the case may be, the Trustee shall (a) not later than the fifteenth (15th) day before any such Reset Adjustment Date, Variable Rate Adjustment Date, the Fixed Rate Adjustment Date or Substitution Date (or, if such day is not a Business Day, then on the next succeeding Business Day), notify the Tender Agent by telephone, promptly confirmed in writing, with a copy to the Remarketing Agent and (b) not later than the ninth (9th) day before any such Reset Adjustment Date, Variable Rate Adjustment Date, Fixed Rate Adjustment Date or Substitution Date, notify the Bondholders by first class mail, that all Outstanding Bonds (other than Purchased Bonds) shall be subject to mandatory tender and if not so tendered, shall be deemed to have been tendered for purchase on each such Reset Adjustment Date as provided in Section 2.02(c), Variable Rate Adjustment Date as provided in Section 2.02(b), Fixed Rate Adjustment Date as provided in Section 2.02(d) or the Substitution Date as provided in Section 2.13, at the Purchase Price. Such notices from the Trustee shall be treated as a Tender Notice for all purposes of this Indenture, including this Section and Article X hereof.

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

Anything herein to the contrary notwithstanding, no Bonds shall be purchased pursuant to this Section or remarketed pursuant to Section 10.03 if an Event of Default hereunder (other than an Event of Default under Section 6.01(c) hereof) shall have occurred and be continuing and would not be cured as a result of such tender and remarketing of the Bonds or following a declaration of acceleration of the Bonds; nor shall any Bond be purchased pursuant to this Section if such Bond is registered in the name of the Issuer, the Borrower or the Credit Facility Provider, or known by the Trustee (the Trustee shall have no duty to inquire as to any such nominees) to be registered in the name of any general partner, member or guarantor of the Borrower or any nominee of the Issuer, the Borrower, the Credit Facility Provider, or any such general partner, member or guarantor of the Borrower unless the Credit Facility will be in full force and effect after such purchase with respect to such Bonds after such purchase.

Section 10.02 *Mandatory Tender of Bonds.*

- (a) Holders of Bonds shall be required to tender their Bonds to the Tender Agent on:
- (i) any Reset Adjustment Date, Variable Rate Adjustment Date, or the Fixed Rate Adjustment Date in accordance with the provisions of Section 2.02; and
 - (ii) any Substitution Date in accordance with and subject to the provisions of Section 2.13.

(b) Any Bond required to be tendered on a Reset Adjustment Date, a Variable Rate Adjustment Date, the Fixed Rate Adjustment Date or a Substitution Date which is not tendered as of such date shall be deemed to have been tendered to the Tender Agent on such date and shall thereafter cease to bear interest and no longer be considered to be Outstanding hereunder.

Section 10.03 *Remarketing of Bonds.* Upon the receipt by the Remarketing Agent of any notice from the Tender Agent that any Bondholder (or DTC Participant, with respect to any Bonds in “book-entry only” form) has delivered a Tender Notice pursuant to Section 10.01 hereof, or upon receipt of any notice from the Trustee of Bonds deemed to have been tendered in accordance with the provisions of Section 2.02(c), 2.02(d) or 2.13, the Remarketing Agent shall offer for sale and use its best efforts to market the Bonds referred to in such Tender Notice or such notice from the Trustee (which shall be deemed to be a Tender Notice as provided in Section 10.01) at a price of par plus accrued interest to the Settlement Date, in accordance with the Remarketing Agreement; provided, however, that the Remarketing Agent shall not knowingly offer for sale or sell such Bonds to the Issuer, the Borrower or any general partner, member or any guarantor of the Borrower. The Remarketing Agent has no obligation to remarket Bonds registered in the name of the Borrower, the Credit Facility Provider or any general partner, member or guarantor of the Borrower unless the Credit Facility shall be in full force and effect after such remarketing. On the Business Day immediately prior to each Settlement Date (each, a “Remarketing Date”), the Remarketing Agent shall give telephonic notice, promptly confirmed in writing and transmitted by facsimile, to the Trustee, the Tender Agent, the Borrower and the Credit Facility Provider by 11:00 a.m., Washington, D.C. time, stating whether all tendered Bonds have been remarketed successfully, specifying the names, addresses, and taxpayer identification numbers of the purchasers of, and the principal amount

and denominations of, such Bonds, if any, for which it has found purchasers as of such Remarketing Date, and the Purchase Price at which the Bonds are to be sold (which shall be par plus accrued interest to the Settlement Date). The Remarketing Agent shall deliver to the Tender Agent, no later than 9:30 a.m., Washington, D.C. time, on the Settlement Date, in immediately available funds, the remarketing proceeds to the extent the Bonds have been successfully remarketed. Upon receipt by the Tender Agent of such amount from the Remarketing Agent, the Tender Agent, as co-authenticating agent, shall transfer the registered ownership of the Bonds to the respective new purchasers and deliver such Bonds to such purchasers upon deposit of the Purchase Price with the Tender Agent. The Tender Agent shall hold all Bonds delivered to it in trust for the benefit of the respective Bondholders which shall have so delivered such Bonds until money representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Bondholders. The Tender Agent shall remit the Purchase Price of such Bonds to the tendering Bondholder or Bondholders entitled to the same as provided in Section 10.01. In the event that the Remarketing Agent or any purchaser which shall have been identified by the Remarketing Agent to the Trustee and the Tender Agent shall fail to pay the Purchase Price for any Bonds prior to 10:00 a.m., Washington, D.C. time, on the Settlement Date, the Tender Agent shall not be obligated to accept such amount after such time. The Tender Agent will immediately notify by telephone the Trustee, the Credit Facility Provider, the Borrower and the Remarketing Agent of any such failure to receive the Purchase Price for such Bonds. On the Settlement Date, the Tender Agent shall notify by telephone the Trustee, the Credit Facility Provider, the Borrower and the Remarketing Agent of the amount of funds held by the Tender Agent as of 10:00 a.m., Washington, D.C. time, on such date constituting the Purchase Price of the Bonds remarketed by the Remarketing Agent, promptly confirmed in writing and transmitted by facsimile. The Tender Agent shall hold all money delivered to it for the purchase of Bonds (including any remarketing proceeds or proceeds of draws on the Credit Facility) in trust in a non-commingled account to be known as the "Bond Purchase Fund" for the benefit of the Person or entity which shall have so delivered such money until the Bonds purchased with such money shall have been delivered to or for the account of such Person. Such money shall be held uninvested except as directed in writing by the Credit Facility Provider and then only in Qualified Investments of the type described in clauses (a) and (b) of the definition thereof. The Issuer and the Borrower shall not have any right, title or interest in such money.

Except with respect to Bonds to be held under the terms of the Pledge Agreement and any Bonds purchased in lieu of redemption or acceleration pursuant to the provisions hereof, the Issuer, the Borrower or any general partner, member or any guarantor of the Borrower may not purchase any Bonds, from the Remarketing Agent or otherwise.

Section 10.04 Purchase of Bonds Not Remarketed. In the event that either the Tender Agent shall not have received notice of successful remarketing of tendered Bonds by the day which is one (1) Business Day prior to the Settlement Date, or the proceeds of remarketing of any tendered Bond have not been received by the Tender Agent on or prior to 10:00 a.m., Washington, D.C. time on the Settlement Date, the Trustee shall, within the time required by the terms of the Credit Facility, draw on the then existing Credit Facility (not the Alternate Credit Facility on a Substitution Date) in an amount sufficient to enable the Tender Agent to pay the Purchase Price of each such Bond when due. On each Settlement Date, the Trustee shall pay or cause to be paid to the Tender Agent the Purchase Price of any Bonds tendered pursuant to, and in accordance with, Section 10.01 or Section 10.02 and which have not been remarketed

pursuant to Section 10.03 hereof, but only from (i) money obtained by the Trustee pursuant to the Credit Facility then in effect to enable the Trustee to pay the Purchase Price of such tendered Bonds, which amounts shall be transferred by the Trustee to the Tender Agent at or before 3:00 p.m., Washington, D.C. time, on the Settlement Date; and (ii) Eligible Funds from the Borrower to the extent that money obtained pursuant to (i) above are insufficient on any date to pay the Purchase Price of tendered Bonds.

Upon receipt of such Purchase Price and upon receipt of the Bonds tendered for purchase pursuant to Section 10.01 or Section 10.02 hereof, the Tender Agent shall pay such Purchase Price to the registered owners thereof; provided, that if the Purchase Price was theretofore paid from the proceeds of a draw on the Credit Facility, the Tender Agent shall pay such amount to the Credit Facility Provider. Any amounts drawn under the Credit Facility to purchase Bonds shall be used solely for such purpose. Any Bonds so purchased with amounts drawn under the Credit Facility by the Trustee shall be purchased for the account of the Borrower and registered as provided in the Pledge Agreement. Amounts drawn under the Credit Facility which are not used to purchase Bonds pursuant to this Section 10.04 shall be remitted by the Trustee or the Tender Agent to the Credit Facility Provider promptly upon payment of the Purchase Price of the Bonds.

Section 10.05 Remarketing Agent. The Issuer, with the approval of the Credit Facility Provider and the Borrower (which approval shall not be unreasonably withheld, conditioned or delayed), shall appoint a Remarketing Agent for the Bonds, subject to the conditions set forth in Section 10.05 hereof. The Remarketing Agent initially appointed hereunder is Stone & Youngberg LLC. The Remarketing Agent shall designate to the Trustee its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder by execution of the Remarketing Agreement. The Remarketing Agent shall, and shall agree in the Remarketing Agreement to, do each of the following:

(a) act as agent for the Issuer in determining the interest rates to be borne by the Bonds and act as agent for Bondholders in receiving and holding money to pay the Purchase Price thereof;

(b) use its best efforts to remarket bonds tendered for purchase (including Purchased Bonds) except in the circumstances described in the last paragraph of Section 10.01 and in the Remarketing Agreement;

(c) notify the Issuer, the Trustee, the Credit Facility Provider, the Servicer, the Borrower and the Tender Agent of the Variable Rate determined in accordance with Section 2.02(b), the Reset Rate determined in accordance with Section 2.02(c) and the Fixed Rate determined in accordance with Section 2.02(d), on the Variable Interest Computation Date or other date required for such determination, each such notification to be in writing or by telex or telecopier or other communication device which produces a written record thereof, or by telephone confirmed within one Business Day by any such written communication; and upon request by the Issuer, submit copies of any such notices to the Issuer;

(d) hold all money delivered to it hereunder for the purchase of Bonds in trust for the benefit of the Person which shall have so delivered such money until the Bonds purchased with

such money shall have been delivered to the Tender Agent, and not commingle such money with other funds of the Remarketing Agent;

(e) keep such books and records with regard to the remarketing of the Bonds as shall be consistent with prudent industry practice and make such books and records available for inspection by the Issuer, the Trustee, the Borrower and the Credit Facility Provider at all reasonable times;

(f) perform the duties of the Remarketing Agent and comply with the provisions set forth in Article X hereof; and

(g) notify the Tender Agent, the Trustee, the Borrower and the Credit Facility Provider of the status of the remarketing of tendered Bonds one (1) Business Day prior to the Settlement Date and if remarketing proceeds for all tendered Bonds have not been received by the Remarketing Agent by 10:00 a.m., Washington, D.C. time, on the Settlement Date.

Section 10.06 *Qualifications and Resignation or Removal of Remarketing Agent.*

(a) The initial and any successor Remarketing Agent shall be a commercial bank or trust company or a member of the National Association of Securities Dealers, Inc., and authorized by law to perform all the duties imposed upon it by this Indenture and the Remarketing Agreement.

(b) The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least sixty (60) days' written notice to the Issuer, the Borrower, the Credit Facility Provider, the Trustee and the Tender Agent, but any such resignation shall not be effective until a successor is appointed and has accepted such appointment. The Borrower shall, promptly upon receipt of any notice of resignation by the Remarketing Agent, use its best efforts to cause the appointment of a successor Remarketing Agent within such sixty (60) day period.

(c) The Remarketing Agent may be removed at any time (i) by the Issuer with the written consent of the Credit Facility Provider (which consent shall not be unreasonably withheld, conditioned or delayed), (ii) by direction of the Issuer at the written request of the Credit Facility Provider (which direction shall not be unreasonably withheld, conditioned or delayed) or (iii) by direction of the Issuer at the request of the Borrower with the consent of the Credit Facility Provider (which direction and consent shall not be unreasonably withheld, conditioned or delayed), in each case by an instrument signed by the Issuer and filed with the Remarketing Agent, the Issuer, the Borrower, the Credit Facility Provider, the Trustee and the Tender Agent (A) if the Remarketing Agent suspends its remarketing efforts or (B) without cause, upon at least thirty (30) days' notice to the Remarketing Agent. Any successor Remarketing Agent shall be selected by the Issuer with the written consent of the Credit Facility Provider (unless the Credit Facility Provider shall have failed to honor a properly presented and conforming draw under the Credit Facility) (which consent shall not be unreasonably withheld, conditioned or delayed) and the written consent of the Borrower. No removal of the Remarketing Agent shall be effective until a successor is appointed and has accepted such appointment.

(d) In the event of the resignation or removal of the Remarketing Agent, the Remarketing Agent shall pay over, assign and deliver any money held by it in such capacity to its successor.

Section 10.07 Tender Agent. The Trustee, with the written consent of the Credit Facility Provider, shall appoint the Tender Agent for the Bonds, subject to the conditions set forth in Section 10.08 hereof. The Trustee shall initially serve as the Tender Agent. The Tender Agent shall designate to the Trustee its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Issuer, the Trustee and the Remarketing Agent under which the Tender Agent acknowledges its qualifications and authority to act as Tender Agent under this Indenture and agrees, particularly, as follows:

(1) The Tender Agent shall, upon receipt of a Tender Notice from any Bondholder (or DTC Participant, with respect to a Bond in “book-entry only” form), give prompt telephonic notice thereof to the Trustee and the Remarketing Agent, specifying the amount of Bonds to be purchased and the Settlement Date, and shall, not later than the following Business Day, confirm such telephonic notice in writing and deliver to the Remarketing Agent, the Trustee and the Credit Facility Provider a copy of such Tender Notice.

(2) On each Settlement Date, the Tender Agent shall give the Remarketing Agent, the Credit Facility Provider and the Trustee telephonic notice, confirmed in writing by the following Business Day, of the principal amount of Bonds delivered pursuant to Section 10.01.

(3) The Tender Agent shall hold all Bonds delivered to it pursuant to Section 10.01 in trust for the benefit of the respective Bondholders which shall have so delivered such Bonds until such Bonds are required by this Indenture to be delivered to the respective purchasers thereof.

(4) The Tender Agent shall cancel all Bonds for which it has received written notice of remarketing from the Remarketing Agent and shall authenticate new Bonds in a like aggregate principal amount in the names and in the denominations set forth in the written notice given to the Tender Agent by the Remarketing Agent pursuant to Section 10.03 hereof.

(5) The Tender Agent shall deliver Bonds to the purchasers thereof in accordance with Section 10.04 hereof. The Tender Agent shall establish the Bond Purchase Fund as provided in Section 10.03 hereof. The Tender Agent shall remit the Purchase Price of tendered Bonds to the tendering Bondholders in accordance with Section 10.03 hereof.

(6) The Tender Agent shall deliver to the Trustee all tendered Bonds canceled.

(7) The Tender Agent shall keep such books and records as shall be consistent with prudent industry practice and shall make such books and records available for

inspection by the Issuer, the Trustee and the Credit Facility Provider at all reasonable times.

(8) The Tender Agent shall send to the Trustee a copy of its transfer journal evidencing all changes in registration of the Bonds within two (2) days of making such changes.

The Tender Agent shall pay to tendering Bondholders the Purchase Price of any Bonds for which it has received a Tender Notice and which have not been remarketed pursuant to Section 10.03 hereof, but solely from the sources listed in Section 10.04 hereof; and the Tender Agent shall pay to tendering Bondholders the Purchase Price of any Bonds for which it has received a Tender Notice and which have been remarketed pursuant to Section 10.03 hereof, but solely from amounts received from the Remarketing Agent.

Section 10.08 *Qualifications of Tender Agent.* The Tender Agent shall be a commercial bank with trust powers or trust company with a principal office, or with an affiliate with an office, in New York, New York, having a capitalization of at least \$10,000,000 and authorized by law to perform all the duties imposed upon it by this Indenture; provided that, in any event, the Trustee may serve as the Tender Agent so long as the Bonds are in “book-entry-only” form. The Tender Agent shall be an affiliate of the Trustee (unless the Tender Agent is the Trustee), unless the Trustee has no affiliate meeting the requirements of the first sentence of this Section, in which case the selection of the Tender Agent shall be an entity appointed by the Trustee with the written consent of the Credit Facility Provider, the Issuer and the Borrower.

The Tender Agent may at any time resign and be discharged by giving at least sixty (60) days’ written notice to the Trustee, the Issuer, the Borrower and the Credit Facility Provider. The Tender Agent may be removed at any time, with the written consent of the Credit Facility Provider, by an instrument signed by the Trustee and filed with the Tender Agent, the Remarketing Agent and the Issuer.

In the event of the resignation or removal of the Tender Agent, the Tender Agent shall pay over, assign and deliver any money and Bonds held by it in such capacity, and shall deliver all books and records relating thereto, to its successor or, if there be no successor, to the Trustee.

In the event that the Trustee shall fail to appoint a Tender Agent hereunder, or in the event that the Tender Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Tender Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Trustee shall not have appointed its successor as Tender Agent, the Trustee, notwithstanding the provisions of the first paragraph of this Section 10.08, shall be deemed to be the Tender Agent for all purposes of this Indenture until the appointment by the Trustee of the Tender Agent or a successor Tender Agent, as the case may be, notwithstanding the fact that the Trustee may not meet the qualifications set forth in the first paragraph of this Section 10.08.

Insofar as such provisions may be applicable, the Tender Agent shall enjoy the same protective provisions in the performance of its duties hereunder as are specified in Sections 7.01 and 7.02 with respect to the Trustee. The Tender Agent shall perform such duties, and only such

duties, as are specifically set forth in this Indenture and the Financing Agreement and no implied covenants shall be read into this Indenture or the Financing Agreement against the Tender Agent.

Section 10.09 *Dealing in Bonds.* The Credit Facility Provider, the Trustee, the Tender Agent or the Remarketing Agent, in its individual capacity, may each in good faith buy, sell, own, hold and deal in any of the Bonds, and may join in any action which any Bondholder may be entitled to take with like effect as if it did not act in any capacity hereunder. The Trustee, the Tender Agent, the Credit Facility Provider or the Remarketing Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer or the Credit Facility Provider, and may act as depository, trustee or agent for any committee or body of Bondholders secured hereby or other obligations of the Issuer as freely as if it did not act in any capacity hereunder. It is expressly understood that the Trustee and the Tender Agent in carrying out their respective duties hereunder shall each be acting as a conduit with respect to deliveries of Bonds for purchase pursuant to Section 10.01 hereof.

Section 10.10 *Purchased Bonds.*

(a) *Unremarketed Bonds as Purchased Bonds; No Credit Facility Support.* Bonds for which the Purchase Price is funded with money provided under the Credit Facility and which are not remarketed in accordance with the Remarketing Agreement shall be deemed to be Purchased Bonds. The Credit Facility shall not constitute security for or provide liquidity for Purchased Bonds.

(b) *Ownership and Pledge of Purchased Bonds.* Purchased Bonds shall be owned by the Borrower and pledged to the Custodian under the Pledge Agreement for the benefit of the Credit Facility Provider pursuant to the Pledge Agreement. As set forth in the Pledge Agreement, the Tender Agent shall either (i) ensure that Purchased Bonds are delivered to the Custodian in registered certificate form under the Pledge Agreement or (ii) if, and only if, delivery of the Bonds is not possible, deliver a written entitlement order to the applicable financial intermediaries on whose records ownership of the Purchased Bonds is reflected directing the intermediaries to credit the security entitlement to the Purchased Bonds to the account of the Custodian for the benefit of the Credit Facility Provider and deliver to the Custodian a written confirmation of such credit, whether or not the Borrower notifies the Remarketing Agent to do so.

(c) *Payment Failure Not a Default.* Failure to pay interest on Purchased Bonds when due or failure to pay principal and interest on Purchased Bonds upon any redemption date, Settlement Date or the Maturity Date shall not constitute an Event of Default. Upon the Maturity Date, any redemption date or date of acceleration, all Purchased Bonds shall be deemed canceled. Purchased Bonds shall also be canceled upon direction of the Credit Facility Provider.

(d) *Remarketing of Purchased Bonds.* At such time as Purchased Bonds are remarketed by the Remarketing Agent (i) the Trustee or the Tender Agent, as appropriate, shall remit the proceeds of the remarketing to the Credit Facility Provider to reimburse the Credit Facility Provider for unreimbursed amounts paid under the Credit Facility to purchase the Bonds, (ii) the Trustee or Tender Agent, as appropriate, upon receipt of notice from the Credit Facility

Provider that it has received reimbursement for the amount provided under the Credit Facility (or notice from the Tender Agent that the Tender Agent has received funds that it will immediately remit to the Credit Facility Provider) and that the Credit Facility has been reinstated in accordance with its terms, the Custodian shall release all remarketed Purchased Bonds in accordance with the Pledge Agreement and (iii) the Trustee or the Tender Agent shall give written notice to the Remarketing Agent, the Borrower and the Credit Facility Provider that such Bonds are no longer Purchased Bonds.

ARTICLE XI

MISCELLANEOUS

Section 11.01 Consents and Other Instruments of Bondholders. Any consent, request, direction, approval, waiver, objection, appointment or other instrument required by this Indenture to be signed and executed by the Bondholders may be signed and executed in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in Person or by agent appointed in writing. Proof of the execution of any such instrument, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken under such instrument, namely:

(a) the fact and date of the execution by any Person of any such instrument may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such instrument acknowledged the execution thereof. Where such execution is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such affidavit or certificate shall also constitute sufficient proof of such authority;

(b) the ownership of registered Bonds shall be proved by the Bond Register;
and

(c) any request, consent or vote of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or permitted to be done by the Trustee or the Issuer in pursuance of such request, consent or vote.

Section 11.02 Servicing the Bond Mortgage Loan. There shall be engaged at all times that Freddie Mac is the Credit Facility Provider an eligible servicing institution designated by Freddie Mac as the Servicer (which may be Freddie Mac if Freddie Mac elects to service the Bond Mortgage Loan) to service the Bond Mortgage Loan pursuant to the Guide.

Section 11.03 Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any Person other than the Parties hereto, the Credit Facility Provider, the Servicer, the Borrower and the Holders of the Bonds, any legal or equitable right,

remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions hereof.

Section 11.04 Construction of Conflicts; Severability. Notwithstanding anything provided herein, or in any of the documents referred to herein, in the event that any contracts or other documents executed by the Borrower or any other arrangements agreed to by the Borrower in order to finance or refinance the Project with the proceeds of the Bonds, the interest on which is excluded from gross income for federal income tax purposes under Section 103 of the 1954 Code and Section 103(a) of the 1986 Code are inconsistent with the Bond Mortgage Loan Documents, then the Bond Mortgage Loan Documents shall be controlling in all respects. If any provision of this Indenture shall be held or deemed to be, or shall in fact be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution, statute, rule of law or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or sections in this Indenture contained, shall not affect the remaining portions of this Indenture, or any part thereof.

Section 11.05 Notices.

(a) Any provision of this Indenture relating to the mailing of notice or other communication to Bondholders shall be deemed fully complied with if such notice or other communication is mailed, by first class mail, postage prepaid, to each registered Owner of any Bonds then Outstanding at the address of such registered Owner as it appears on the Bond Register. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

(b) Any notice, request, complaint, demand, communication or other paper required or permitted to be delivered to the Issuer, the Trustee, the Credit Facility Provider, the Remarketing Agent, the Borrower or the Servicer shall be sufficiently given and shall be deemed given (unless another form of notice shall be specifically set forth herein) on the Business Day following the date on which such notice or other communication shall have been delivered to a national overnight delivery service (receipt of which to be evidenced by a signed receipt from such overnight delivery service) addressed to the appropriate party at the addresses set forth below. The Issuer, the Trustee, the Credit Facility Provider, the Remarketing Agent, the Borrower or the Servicer may, by notice given as provided in this paragraph, designate any further or different address to which subsequent notices or other communication shall be sent.

The Issuer: CITY OF OCEANSIDE
321 N. Nevada Street
Oceanside, CA 92054
Attention: Director of Housing & Neighborhood Services
Telephone:
Facsimile:

The Trustee: The Bank of New York
Mellon Trust Company, N.A.
601 Union Street, Suite 520
Seattle, WA 98101-2321
Attention:
Telephone:
Facsimile:

The Borrower: Shadow Way Apartments, LP
c/o Shadow Way Holdings, LLC
26522 La Alameda Way, Suite 260
Mission Viejo, CA 92691
Attention: Kipling Sheppard
Telephone: (949) 367-1393
Facsimile: (949) 367-0244

with a copy to: Western Community Housing, Inc.
151 Kalmus Drive, Suite J-5
Costa Mesa, CA 92626
Attention: Graham Espley-Jones
Telephone: (714) 549-4100 Ext. 101
Facsimile: (714) 549-4600

Credit Facility
Provider: Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
Mail Stop B4Q
McLean, Virginia 22102
Attention: Director of Multifamily Loan Accounting
Telephone: (703) 903-2000
Facsimile: (703) 714-3273

with a copy to: Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive
McLean, Virginia 22102
Attention: Associate General Counsel – Multifamily
Legal Department
Telephone: (703) 903-2000
Facsimile: (703) 903-2885

with a copy to: Federal Home Loan Mortgage Corporation
100 Jones Branch Drive
Mail Stop B4F
McLean, Virginia 22102
Attention: Director of Multifamily Loan Servicing
Telephone: (703) 903-2000
Facsimile: (703) 714-3003

The Servicer: Prudential Asset Resources
2100 Ross Avenue, Suite 2500
Dallas, TX 75201
Attn: Director – Structured Products
Telephone: (214) 777-4523

with a copy to: Prudential Affordable Mortgage Company
8401 Greensboro Drive, 2nd Floor
McLean, VA 22102
Attn: President – Affordable Housing
Telephone: (703) 610-1340
Facsimile: (703) 610-1405

The Remarketing Agent: Stone & Youngberg LLC
Ferry Building, Suite 275
San Francisco, CA 94111
Attention:
Telephone: (415) 445-2300
Facsimile: (415) 397-9592

The Tender Agent: The Bank of New York
Mellon Trust Company, N.A.
[Address]
Attention:
Telephone:
Facsimile:

Rating Agency: Standard & Poor's Rating Services
55 Water Street, 38th Floor
New York, NY 10041
Attention: Public Finance Surveillance Group
Telephone: (212) 438-2054
Telecopier: (212) 438-2157

A duplicate copy of each notice or other communication given hereunder by any party to the Servicer shall also be given to Freddie Mac; and Freddie Mac shall also be given to the Servicer.

The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Indenture, provided, however, that subsequent to such facsimile transmission of written instructions, the originally executed instructions and/or directions shall be provided to the Trustee in a timely manner.

(c) The Trustee shall provide to the Credit Facility Provider (i) prompt notice of the occurrence of any Event of Default pursuant to Section 6.01 hereof and (ii) any written information or other communication received by the Trustee hereunder within ten (10) Business Days of receiving a written request from the Credit Facility Provider for any such information or other communication. The Trustee shall provide to the Rating Agency any information requested by the Rating Agency needed to maintain the rating on the Bonds.

(d) The Trustee shall provide to the Rating Agency notice of (i) any change in Trustee, Tender Agent or Remarketing Agent hereunder, (ii) any material amendment to any of the Bond Financing Documents, (iii) any substitution, termination, expiration or extension of the Credit Facility, (iv) any change of the interest rate on the Bonds to a Reset Rate or Fixed Rate and (v) any acceleration or redemption in whole or defeasance of the Bonds.

Section 11.06 Credit Facility Provider. Following the release of the Credit Enhancement Agreement by the Trustee pursuant to the terms of this Indenture and the provision of an Alternate Credit Facility, all notices to be provided Freddie Mac and/or the Servicer hereunder shall be provided to the Alternate Credit Facility Provider and payments to be made to Freddie Mac or the Servicer from the Administration Fund shall be paid to the Alternate Credit Facility Provider.

Section 11.07 Trustee as Paying Agent and Bond Registrar. The Trustee is hereby designated and agrees to act as Paying Agent and Bond Registrar for and in respect to the Bonds.

Section 11.08 Payments Due on Non-Business Days. In any case where a date of payment with respect to any Bonds shall be a day other than a Business Day, then such payment need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on such date, and no interest shall accrue for the period after such date providing that payment is made on such next succeeding Business Day.

Section 11.09 Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.10 Laws Governing Indenture and Administration of Trust. The effect and meanings of this Indenture and the rights of all parties hereunder shall be governed by, and construed according to, the laws of the State without regard to conflicts of laws principles.

Section 11.11 No Recourse. No recourse under or upon any obligation, covenant or agreement contained in this Indenture or in any Bond shall be had against any member, officer, commissioner, director or employee (past, present or future) of the Issuer, either directly or through the Issuer or its governing body or otherwise, for the payment for or to the Issuer or any receiver thereof, or for or to the Holder of any Bond issued hereunder, or otherwise, of any sum that may be due and unpaid by the Issuer or its governing body upon any such Bond. Any and

all personal liability of every nature whether at common law or in equity or by statute or by constitution or otherwise of any such member, officer, commissioner, director or employee, as such, to respond by reason of any act of omission on his/her part or otherwise, for the payment for or to the Holder of any Bond issued hereunder or otherwise of any sum that may remain due and unpaid upon any Bond hereby secured is, by the acceptance hereof, expressly waived and released as a condition of and in consideration for the execution of this Indenture and the issuance of the Bonds.

Section 11.12 *Successors and Assigns.* All the covenants and representations contained in this Indenture by or on behalf of the parties hereto shall bind and inure to the benefit of their successors and assigns, whether so expressed or not.

[Signature Pages follow]

IN WITNESS WHEREOF, the Issuer and the Trustee have caused this Trust Indenture to be executed and delivered by duly authorized officers thereof as of the day and year first written above.

CITY OF OCEANSIDE

By: _____
Name:
Title:

Attest:

By: _____
Name: _____
Title: _____

[ISSUER'S SIGNATURE PAGE TO SHADOW WAY APARTMENTS PROJECT INDENTURE]

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

By: _____
Name: _____
Title: _____

[TRUSTEE'S SIGNATURE PAGE TO SHADOW WAY APARTMENTS PROJECT INDENTURE]

EXHIBIT A

FORM OF BOND

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

**[\$15,000,000]
CITY OF OCEANSIDE
VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS
(Shadow Way Apartments Project)
SERIES 2009**

NO. R-

[\$15,000,000]

NOTICE: Unless this bond certificate is presented by an authorized representative of The Depository Trust Company to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owners hereof, Cede & Co., has an interest herein.

INTEREST RATE: VARIABLE

MATURITY DATE:

DATED DATE:

DELIVERY DATE:

CUSIP NO.:

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: [FIFTEEN MILLION AND NO/100 DOLLARS]

The CITY OF OCEANSIDE (the "Issuer"), municipal corporation duly organized and existing under the laws of the State of California (the "State"), for value received, hereby promises (but solely from the sources and in the manner provided for in the hereinafter defined Indenture) to pay to the registered owner identified above, or registered assigns, on the maturity date set forth above, unless previously called for redemption, the principal sum as set forth above, together with interest thereon at the rate provided in the Indenture (as defined below) from the Interest Payment Date (as defined below) next preceding the date of authentication of this Bond to which interest has been paid or duly provided for, unless the date of authentication

is an Interest Payment Date to which interest has been paid or duly provided for, in which case from the date of authentication of this Bond, or unless no interest has been paid or duly provided for on this Bond, in which case from the Delivery Date identified above, until the principal amount hereof shall have been fully paid, at the rate per annum provided in the Indenture, payable (a) during the Variable Period (defined below), on the first (1st) Business Day of each calendar month, commencing [March 2], 2009, (b) during a Reset Period (defined below) or the Fixed Rate Period (defined below), on February 1 and August 1 of each year, (c) on each Reset Adjustment Date, Variable Rate Adjustment Date, Fixed Rate Adjustment Date and Substitution Date, (d) the maturity date, and (e) the date of redemption of this Bond (each, an "Interest Payment Date"), calculated as provided in the Indenture. Notwithstanding the foregoing, if this Bond is authenticated after a Record Date and before the following Interest Payment Date, this Bond shall bear interest from such Interest Payment Date; provided, however, that if there shall be a default in the payment of interest due on such Interest Payment Date, then this Bond shall bear interest from the next preceding Interest Payment Date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for on this Bond, from the Delivery Date. Payment of principal, premium, if any, and interest on this Bond are payable in lawful money of the United States of America. Payment of principal of this Bond and premium, if any, will be made only upon presentation and surrender hereof at the Principal Office of the Trustee. Payment of interest on this Bond will be made by check mailed to the registered owner of this Bond as such address shall appear on the registration books for the Bonds (i) during the Variable Period, on the Business Day immediately preceding an Interest Payment Date, and (ii) during a Reset Period or the Fixed Rate Period, on the 15th day of the month preceding each Interest Payment Date (a "Record Date"). Upon written request of a registered owner of at least \$1,000,000 aggregate principal amount of the Bonds received by The Bank of New York Mellon Trust Company, N.A. as trustee (together with any successor trustee appointed in accordance with the terms of the hereinafter defined Indenture, the "Trustee"), at least five (5) days prior to a Record Date, all payments of principal, premium, if any, and interest will be paid by wire transfer of immediately available funds to an account designated by such owner, less any reasonable wire transfer fees imposed by the Trustee. All capitalized terms not defined herein shall have the meaning set forth in the Trust Indenture dated February 1, 2009, by and between the Issuer and the Trustee (the "Indenture").

THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, OR ANY AGENCY OF THE UNITED STATES OF AMERICA, OR THE FEDERAL HOME LOAN MORTGAGE CORPORATION ("FREDDIE MAC"), AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC, PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS IS NOT GUARANTEED BY FREDDIE MAC. THE OBLIGATIONS OF FREDDIE MAC UNDER THE CREDIT ENHANCEMENT AGREEMENT (AS HEREINAFTER DEFINED) ARE OBLIGATIONS SOLELY OF FREDDIE MAC AND ARE NOT BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

THE BONDS AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED THEREFOR UNDER THE INDENTURE. NONE OF THE STATE, NOR ANY OTHER POLITICAL SUBDIVISION OR BODY CORPORATE AND POLITIC, OR AGENCY, OF THE STATE

OR THE ISSUER (EXCEPT TO THE LIMITED EXTENT PROVIDED HEREIN) SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER OF THE ISSUER, AND NEITHER THIS BOND NOR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF THE STATE, OR ANY OTHER POLITICAL SUBDIVISION OR BODY CORPORATE AND POLITIC OF THE STATE OR THE ISSUER (EXCEPT TO THE LIMITED EXTENT PROVIDED HEREIN), WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER.

This Bond is one of a duly authorized issue of bonds of the Issuer known as its City of Oceanside Variable Rate Demand Multifamily Housing Revenue Bonds (Shadow Way Apartments Project) Series 2009, issued in the original aggregate principal amount of \$_____ (the "Bonds") under and pursuant to the Constitution and the laws of the State, particularly Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California, as amended (the "Act"), and a bond resolution adopted by the Issuer on _____, 2009. The Bonds are special, limited obligations of the Issuer payable solely from and secured by the Trust Estate pledged therefor pursuant to the Indenture. The Bonds are issued to provide funds to finance a portion of the cost of the acquisition, rehabilitation and equipping of a multifamily rental housing development known as Shadow Way Apartments located in Oceanside, California owned by Shadow Way Apartments, LP (the "Borrower").

The Bonds are issuable as fully registered bonds in Authorized Denominations of \$100,000 or integral multiples of \$5,000 in excess of \$100,000 during any period the Bonds bear interest at a rate determined weekly (the "Variable Period"), and \$5,000 or integral multiples thereof during any period that the rate of interest on the Bonds is fixed for a period of five (5) years or more or such shorter period as may be consented to in writing by the Credit Facility Provider (a "Reset Period") or fixed to the maturity date of the Bonds (the "Fixed Rate Period"). The Bonds will be initially issued in a Variable Rate mode.

To secure its obligation to make payments on the Bond Mortgage Note in accordance with its terms, the Borrower has caused to be delivered to the Trustee a Multifamily Deed of Trust, Assignment of Rents and Security Agreement dated as of February 1, 2009 (the "Bond Mortgage"), and a direct pay Credit Enhancement Agreement dated as of February 1, 2009 (the "Credit Enhancement Agreement") between Freddie Mac and the Trustee. Under the Credit Enhancement Agreement, Freddie Mac has agreed to make advances to the Trustee (against proper draw requests made by the Trustee thereunder) in the amounts necessary to pay principal of and interest due under the Bond Mortgage Loan and to pay the Purchase Price of the Bonds during any period the Bonds bear interest at the Variable Rate, to the extent there are insufficient remarketing proceeds to pay the Purchase Price of the Bonds tendered for purchase (other than Purchased Bonds).

Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the Trust Estate under the Indenture, the nature and extent of the security, the terms and conditions upon which the Bonds are issued and secured and the rights of the holders thereof, to all of the provisions of which Indenture the registered Owner of this Bond, by

acceptance hereof, assents and agrees. This Bond is equally and ratably secured under the Indenture with all other Bonds issued thereunder.

Variable Interest Accrual Period. From the Delivery Date of the Bonds to, but excluding, the earlier of (a) the date of adjustment to a Reset Rate (a “Reset Adjustment Date”) or the Fixed Rate (a “Fixed Rate Adjustment Date”) or (b) the maturity date, this Bond shall bear interest at the Variable Rate determined weekly on the Variable Interest Computation Date by the Remarketing Agent, as provided in the Indenture, for each Variable Interest Accrual Period, provided that in no event shall such rate exceed the Maximum Rate of interest which may be charged pursuant to the terms of the Indenture. The Variable Interest Computation Date shall be Wednesday of each week during the Variable Period or, if any such Wednesday is not a Business Day, then the next day which is a Business Day. Interest on the Bonds during the Variable Period shall be computed on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed. Bonds purchased with proceeds made available under the Credit Facility shall bear interest at the rate established pursuant to the Reimbursement Agreement.

Reset Period. The Borrower may, upon compliance with certain conditions of the Indenture, cause the interest rate on the Bonds to be adjusted to a Reset Rate, which shall be determined by the Remarketing Agent as provided in the Indenture. During the Reset Period, the Bonds shall bear interest at the Reset Rate, payable on each Interest Payment Date (commencing on the first Interest Payment Date occurring at least 30 days after the Reset Adjustment Date) to and including the next succeeding Reset Adjustment Date. Such interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months. At the conclusion of a Reset Period, the Borrower may, upon compliance with certain conditions of the Indenture, cause the interest rate on the Bonds to be adjusted to a Variable Rate, a new Reset Date or a Fixed Rate, which shall be determined and redetermined by the Remarketing Agent as provided in the Indenture.

Fixed Rate Period. The Borrower may, upon compliance with certain conditions of the Indenture, cause the interest rate on the Bonds to be adjusted to a Fixed Rate, which shall be determined by the Remarketing Agent as provided in the Indenture. During the Fixed Rate Period, the Bonds shall bear interest at the Fixed Rate, payable on each Interest Payment Date (commencing on the first Interest Payment Date occurring at least 30 days after the Fixed Rate Adjustment Date) to and including the maturity of the Bonds. Such interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

Redemption. The Bonds are subject to optional and mandatory redemption or purchase in lieu of redemption in accordance with the provisions of the Indenture.

Purchase in Lieu of Redemption. At any time that Bonds are subject to redemption in whole pursuant to the Indenture the Trustee may purchase such Bonds for the account of the Borrower or the Credit Facility Provider. The Purchase Price of such Bonds, excluding accrued interest, shall not exceed the applicable redemption price of the Bonds that would otherwise have been redeemed.

Purchase of Bonds at Option of Registered Owner. During the Variable Period, this Bond shall be purchased by the Trustee as Tender Agent (the “Tender Agent”), on behalf of and

as agent for the owner of this Bond, on the demand of the beneficial owner the Bond, on any Business Day (following notice) at a Purchase Price equal to one hundred percent (100%) of the principal amount thereof plus accrued interest, if any, to the date of purchase upon delivery to the Tender Agent, at its Principal Office specified in the Indenture, of a notice as required by the Indenture (a "Tender Notice"). The date stated in the Tender Notice on which such Bond shall be purchased shall be a Business Day not prior to the seventh day next succeeding the date of delivery of such notice to the Tender Agent.

Mandatory Tender on Certain Dates. The registered Owners of the Bonds shall be required to tender their Bonds to the Tender Agent for purchase by the Trustee on behalf of and as agent for the owner of the Bonds for a Purchase Price equal to one hundred percent (100%) of the principal amount thereof plus accrued interest to the applicable Settlement Date on each Reset Adjustment Date, each Variable Rate Adjustment Date, the Fixed Rate Adjustment Date, and on the date of any substitution of any Alternate Credit Facility pursuant to the Indenture. Bonds shall be subject to mandatory tender and purchase on any date specified by the Trustee following a default under the Bond Mortgage Loan or the Reimbursement Agreement and receipt by the Trustee of notice from the Credit Facility Provider that the Bonds are to be tendered for purchase on the Settlement Date selected by the Credit Facility Provider. Bondholders may not elect to retain their Bonds in any such event (even if such Reset Adjustment Date, Variable Rate Adjustment Date, the Fixed Rate Adjustment Date or any Substitution Date fails to occur).

In the event of a redemption of less than all of the Bonds, the Bonds shall be selected by lot. Bonds shall only be redeemed in Authorized Denominations.

Unless notice of redemption is not required under this Bond and the terms of the Indenture, notice of redemption of this Bond shall be given by first class mail, postage prepaid, to the registered owner hereof at the address of such owner shown on the registration books maintained by the Trustee, as bond registrar. All such notices shall be given not less than ten (10) days (not less than thirty (30) days in the case of optional or mandatory sinking fund redemptions) nor more than sixty (60) days prior to the date fixed for redemption. Notice shall also be sent by certified mail, overnight delivery service or other secure means, postage prepaid, to the Credit Facility Provider and to certain information services as described in the Indenture. Failure to give notice by mailing to the registered owner of any Bond designated for redemption shall not affect the validity of the proceedings for the redemption of any other Bond if notice shall have been mailed as herein provided. The Trustee may provide a conditional notice of redemption upon the direction of the Credit Facility Provider or the Borrower (with the prior written consent of the Credit Facility Provider).

The owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

Modifications or alterations of the Indenture or of any indenture supplemental thereto may be made only to the extent and in the circumstances permitted by the Indenture.

This Bond is transferable by the registered owner hereof in Person or by such owner's attorney duly authorized in writing at the principal corporate trust office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer, a new registered Bond or Bonds of the same series, maturity and interest rate and of authorized denomination or denominations for the same aggregate principal amount will be issued to the transferee in exchange therefor. The Bonds are issuable only as fully registered Bonds without coupons.

The Issuer and the Trustee may deem and treat the registered holder hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes and neither the Issuer nor the Trustee shall be affected by any notice to the contrary.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until this Bond shall have been authenticated by the certificate of the Trustee endorsed hereon.

In the event of a conflict between the terms of this Bond and the Indenture, the terms of the Indenture shall control.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and the issuance of this Bond do exist, have happened and have been performed in the time, form and manner as required by law and that this Bond and the issue of which it forms a part does not exceed or violate any constitutional or statutory limitation.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS OF THE ABOVE, the Issuer has caused this Bond to be duly executed in its name as of the date of delivery shown above.

CITY OF OCEANSIDE

By: _____
Name:
Title:

ATTEST:

By: _____
Name:
Title:

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds issued under the provisions of and described in the within-mentioned Indenture.

Date of Authentication: _____

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

By: _____
Authorized Signer

LEGAL OPINION CERTIFICATE

I, the undersigned _____ of City of Oceanside, do hereby certify that there follows a true copy of the complete legal opinion of Best Best & Krieger LLP, the original of which was manually executed, dated and issued as of the date of payment for and delivery of this Bond.

[Insert Bond Counsel Opinion]

Respectfully submitted,

/s/ BEST BEST & KRIEGER LLP

I further certify that an executed copy of each legal opinion is on file in my office and that an executed copy thereof has been furnished to the Trustee for this Bond.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

(Please print or typewrite name, address and Tax I.D. or Social Security No. of Transferee)

the within bonds and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney to register the transfer of the within bond on the books kept for registration thereof, with full power of substitution in the premises

Dated: _____.

Signature Guaranteed

NOTICE: Signature(s) must be guaranteed by an eligible guaranty institution.

Signature

NOTICE: The Signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

EXHIBIT B

FORM OF TENDER NOTICE

\$15,000,000

CITY OF OCEANSIDE

Variable Rate Demand Multifamily Housing Revenue Bonds

(Shadow Way Apartments Project)

Series 2009

TO: [], as Tender Agent

Notice is hereby given pursuant to Section 10.01 of the Trust Indenture dated as of February 1, 2009 (the "Indenture"), pursuant to which the above-captioned bonds (the "Bonds") are issued and outstanding, that the undersigned Bondholder demands the purchase of \$_____ in aggregate principal amount of Bonds, on _____, which date is a Business Day not prior to the seventh (7th) day next succeeding the date of your receipt of this Notice. The demand for purchase is irrevocable.

Date: _____

Authorized Signature

Copies to: The Bank of New York Mellon Trust Company, N.A., Trustee
 Stone & Youngberg LLC, Remarketing Agent

EXHIBIT C

FORM OF PURCHASER'S LETTER

[To be prepared on letterhead of Purchaser]

[Date]

CITY OF OCEANSIDE

[Address]

The Bank of New York Mellon Trust Company, N.A., as Trustee

[Address]

[City][State][ZIP]

Re: \$15,000,000 City of Oceanside Variable Rate
Demand Multifamily Housing Revenue Bonds
(Shadow Way Apartments Project) Series 2009

Ladies and Gentlemen:

The undersigned (the "Purchaser") hereby acknowledges receipt as transferee, from the previous owner thereof, of the above-referenced bonds (the "Bonds") in fully registered form and in the aggregate principal amount of \$15,000,000, constituting all of the Bonds currently outstanding. The Bonds have been checked, inspected and approved by the Purchaser.

The undersigned acknowledges that the Bonds were issued for the purpose of financing a loan to assist in financing a multifamily rental housing development known as Shadow Way Apartments located in Oceanside, California (the "Project"), as more particularly described in that certain Financing Agreement dated as of February 1, 2009, as may be amended and supplemented from time to time (the "Financing Agreement"), by and among City of Oceanside (the "Issuer"), Shadow Way Apartments, LP, a limited partnership duly organized and existing under the laws of the State of California (the "Borrower"), and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"). The undersigned further acknowledges that the Bonds are secured by a certain Trust Indenture dated as of February 1, 2009, as amended and supplemented (the "Indenture"), between the Issuer and the Trustee, which creates a security interest in loan repayments made pursuant to the Financing Agreement for the benefit of the holders and Owners of the Bonds, and by a Multifamily Deed of Trust, Assignment of Rents and Security Agreement with respect to the Project (the "Bond Mortgage"), which creates a security interest in the Project, subject to permitted encumbrances, as provided therein. Terms not otherwise defined herein shall have the meanings assigned thereto in the Indenture.

In connection with the sale of the Bonds to the Purchaser, the Purchaser hereby makes the following representations upon which you may rely:

1. The Purchaser hereby certifies that it is (a) a bank as defined in Section 3(a)(2) of the Securities Act of 1933 (the “Act”) or a bank holding company or a wholly-owned subsidiary of a bank holding company, or a savings and loan association or other institution as defined in Section 3(a)(5)(a) of that act whether acting in its individual or fiduciary capacity; or (b) a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; or (c) an insurance company as defined in Section 2(13) of that act; or (d) an investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that act; or (e) a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; or (f) a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivision for the benefit of its employees, if investment decisions are made by a plan fiduciary which is a bank, savings and loan association, insurance company, or registered investment advisor and the plan establishes fiduciary principles the same as or similar to those contained in Sections 404-407 of Title I of the Employee Retirement Income Security Act of 1974; or (g) an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if investment decisions are made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of \$5,000,000, or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors or (h) an “accredited investor” as defined in Rule 501 of Regulation D of the Act, as amended.

2. The Bonds are being acquired by the Purchaser for its own account and for investment and not with a view to, or for resale in connection with, any public distribution of the Bonds. The Purchaser understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible due to unmarketability of the Bonds.

3. The Purchaser understands that the Bonds have not been registered under the Act.

4. The Purchaser acknowledges that it is familiar with the conditions, financial and otherwise, of the Borrower and understands that the Borrower has no significant assets other than the Project. To the extent deemed appropriate in making its investment decision, the Purchaser has discussed the Borrower’s financial condition and the Borrower’s current and proposed business activities with the Borrower. The Purchaser further acknowledges that it has such knowledge and experience in business matters that it is fully capable of evaluating the merits and risks of this investment and it is able to bear the economic risk of the investment. The Bonds are a security of the kind the Purchaser wishes to purchase and hold for investment, and the nature and amount of the Bonds are consistent with the Purchaser’s investment program. The Purchaser has been furnished such information and such documents as the Purchaser deems necessary to make a decision to purchase the Bonds, including copies or forms of the Indenture, the Financing Agreement, the Bond Mortgage and the Tax Regulatory Agreement (as defined in the Indenture), and certain other documents relating to the Bonds and the Project, all of

which documents the Purchaser has reviewed. Specifically, but without limitation, the Purchaser has reviewed information about the Project and the property manager for the Project, if any, as well as information about the investment risks relating to the Bonds, and the Purchaser understands that the Bonds involve a high degree of risk. SPECIFICALLY, AND WITHOUT IN ANY MANNER LIMITING THE FOREGOING, THE PURCHASER UNDERSTANDS AND ACKNOWLEDGES THAT, AMONG OTHER RISKS, THE BONDS ARE PAYABLE SOLELY FROM REVENUES DERIVED FROM THE PROJECT AND THAT THE BONDS ARE NOT ENTITLED TO THE BENEFIT OF ANY CREDIT FACILITY. The Purchaser has made such inquiry with respect to all of the foregoing as it believed to be desirable for its purposes.

5. The Purchaser has received from the Issuer no formal or informal offering or disclosure document relating to the Bonds and has concluded that the receipt of one prior to the purchase of the Bonds is not required. It is acknowledged that no written information has been provided by the Issuer, and that any written information furnished by any other party to the transaction does not purport to fully disclose all information pertinent to the Bonds.

6. Except as disclosed to the Issuer, the Purchaser is not now and has never been controlled by, or under common control with, the Borrower. Except as disclosed to the Issuer, the Borrower has never been and is not now controlled by the Purchaser. THE PURCHASER HAS ENTERED INTO NO ARRANGEMENTS WITH THE BORROWER OR WITH ANY AFFILIATE OF THE BORROWER IN CONNECTION WITH THE BONDS, OTHER THAN AS DISCLOSED TO THE ISSUER. The Purchaser hereby agrees to deliver to the Issuer a copy of any agreement between the Purchaser and the Borrower or any affiliate of the Borrower relating to the Bonds.

7. The Purchaser has authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Bonds.

8. In entering into this transaction the Purchaser has not relied upon any representations or opinions made by the Issuer relating to the legal consequences or other aspects of the transactions, nor has it looked to, nor expected, the Issuer to undertake or require any credit investigation or due diligence reviews relating to the Borrower, its financial condition or business operations, the Project (including the refinancing, operation or management thereof), or any other matter pertaining to the merits or risks of the transaction, or the adequacy of any collateral pledged to the Trustee to secure repayment of the Bonds.

9. The Purchaser understands that the Bonds are not secured by any pledge of any money received or to be received from taxation by the State of California or any political subdivision or taxing district thereof, including, without limitation, the Issuer; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the Issuer, the State of California or any political subdivision thereof; that no right will exist to have taxes levied by the Issuer, the State of California or any political subdivision thereof for the payment of principal, premium, if any, and interest on

the Bonds; and that the liability of the Issuer with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Indenture.

10. The Purchaser has been informed that the Bonds have not been and will not be registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any jurisdiction, (ii) will not be listed on any stock or other securities exchange, and (iii) will carry no rating from any rating service.

11. The Purchaser has obtained, from representatives of the Borrower and others, all information regarding the Bonds which it has deemed relevant. The Purchaser has asked of the Borrower and all other relevant parties all the questions to which the Purchaser desired answers, and has had those questions satisfactorily answered. Neither the Borrower nor the Issuer nor any other relevant party has refused to disclose any information that Purchaser deems necessary or appropriate to its decision to purchase the Bonds.

12. Although the Purchaser does not intend at this time to dispose of the Bonds, the Purchaser acknowledges that it has the right to sell and transfer the Bonds, subject to the following requirements:

(a) The Purchaser may not dispose of the Bonds to a person or entity other than as described in Section 1 without the prior written consent of the Issuer;

(b) The Purchaser will not sell or otherwise transfer the Bonds unless such transfer will not result in the transferee owning less than all of the Bonds, except with the prior written approval of the Issuer;

(c) Prior to any transfer of the Bonds, the Purchaser shall deliver to the Issuer and the Trustee a certificate identifying any and all documents that have been executed by the Purchaser and the Borrower or any affiliate of the Borrower with respect to the Bonds; and

(d) The Purchaser will not sell or otherwise transfer the Bonds without requiring the transferee to deliver to the Issuer and to the Trustee an investor's letter to the same effect as this Purchaser's Letter, including this paragraph 12, with no revisions except as may be approved in writing by the Issuer.

[PURCHASER]

By: _____

Name: _____

Title: _____

EXHIBIT D

**COSTS OF ISSUANCE REQUISITION
(Costs of Issuance Fund)**

The Bank of New York Mellon Trust Company, N.A., as Trustee

Re: \$15,000,000 City of Oceanside Multifamily
Housing Revenue Bonds (Shadow Way
Apartments Project) Series 2009

Trustee:

You are requested to disburse funds from the Costs of Issuance Fund pursuant to Section 4.13 of the Indenture in the amount(s), to the person(s) and for the purpose(s) set forth in this requisition (the "Requisition"). The terms used in this requisition shall have the meaning given to those terms in the Trust Indenture (the "Indenture"), dated as of February 1, 2009, by and between the City of Oceanside and The Bank of New York Mellon Trust Company, N.A., as trustee, securing the above referenced Bonds.

REQUISITION NO.: 1

PAYMENT DUE TO: [See Attached Payee in Closing Memorandum]

AMOUNT TO BE DISBURSED: \$ _____

The undersigned, on behalf of Shadow Way Apartments, LP, a limited partnership duly organized and existing under the laws of the State of California (the "Borrower"), certifies that:

(a) the expenditures for which moneys are requisitioned by this Requisition represent proper charges against the Costs of Issuance Fund, have not been included in any previous requisition and are set forth in the Schedule attached to this Requisition, with invoices attached for any sums for which reimbursement is requested; and

(b) the moneys requisitioned are not greater than those necessary to meet obligations due and payable or to reimburse the applicable party for funds actually advanced for Costs of Issuance.

Attached to this Requisition is a Schedule, together with copies of invoices or bills of sale covering all items for which payment is being requested.

Date of Requisition: _____, 20__

SHADOW WAY APARTMENTS, LP, a
California limited partnership

By:

Its:

By:

Its:

By:

Its:

By:

Its:

EXHIBIT E

FORM OF REQUISITION

(Bond Proceeds Account of the Bond Mortgage Loan Fund)

(Complete in Triplicate)

The Bank of New York Mellon Trust Company, N.A., as trustee
[ADDRESS]

Attention:

\$15,000,000

CITY OF OCEANSIDE

Variable Rate Demand Multifamily Housing Revenue Bonds

(Shadow Way Apartments Project)

Series 2009

To whom it may concern:

Pursuant to Section 2.11A of the Indenture, you are requested to disburse funds from the Bond Proceeds Account of the Bond Mortgage Loan Fund in the amount(s), to the person(s) and for the purpose(s) set forth in this Requisition and the Indenture. The terms used in this Requisition shall have the meanings given to those terms in the Trust Indenture (the "Indenture") dated as of February 1, 2009 by and between the City of Oceanside and The Bank of New York Mellon Trust Company, N.A., as trustee, securing the above-referenced Bonds.

1. REQUISITION NO.:
2. PAYMENT DUE TO:
3. AMOUNT TO BE DISBURSED: \$
4. The amount requested to be disbursed pursuant to this Requisition will be used to pay Rehabilitation Costs of the Project detailed in Section I attached to this Requisition.
5. With respect to a disbursement from the Bond Mortgage Loan Fund, the undersigned certifies that:
 - (i) the amounts included in 3 above were made or incurred or financed and were necessary for the Project and were made or incurred in accordance with the Schedule of Work;
 - (ii) the amount paid or to be paid, as set forth in this Requisition, represents a part of the funds due and payable for Rehabilitation Costs of the Project, such funds were not paid in advance of

the time, if any, fixed for payment and such funds are due in accordance with the terms of any contracts applicable to the Project and in accordance with usual and customary practice under existing conditions;

(iii) the expenditures for which amounts are requisitioned represent proper charges against the Bond Mortgage Loan Fund, have not been included in any previous requisition, have been properly recorded on the Owner's books and are set forth in **Schedule I**, with paid invoices attached for any sums for which reimbursement is requested;

(iv) the moneys requisitioned are not greater than those necessary to meet obligations due and payable or to reimburse the Borrower for its funds actually advanced for Rehabilitation Costs of the Project and do not represent a reimbursement to the Borrower for working capital;

(v) the amount remaining in the Bond Mortgage Loan Fund, together with expected Investment income on the Bond Mortgage Loan Fund, will, after payment of the amount requested by this Requisition, be sufficient to pay the costs of completing the Schedule of Work substantially in accordance with the rehabilitation contracts, plans and specifications and building permits therefor, if any, currently in effect;

(vi) all of the funds being requisitioned are being used in compliance with all tax covenants set forth in the Indenture, the Financing Agreement and the Regulatory Agreement;

(vii) not less than 95% of the sum of:

(A) the amounts requisitioned by this Requisition; plus

(B) all amounts previously requisitioned and disbursed from the Bond Mortgage Loan Fund;

have been or will be applied by the Borrower to pay Qualified Project Costs (as that term is used in the Regulatory Agreement);

(viii) the Owner is not in default under the Financing Agreement, the Regulatory Agreement or the Bond Mortgage Loan Documents and nothing has occurred to the knowledge of the Borrower that would prevent the performance of its obligations under the Financing Agreement, the Regulatory Agreement or the Bond Mortgage Loan Documents;

(ix) no amounts being requisitioned by this Requisition will be used to pay, or reimburse, any Costs of Issuance incurred in connection with the issuance of the Bonds.

6. With respect to the disbursement from the Bond Mortgage Loan Fund, attached to this Requisition is **Schedule I**, together with copies of invoices or bills of sale covering all items for which payment is being requested.

Date of Requisition: _____

SHADOW WAY APARTMENTS, LP, a
California limited partnership

By:

Its:

APPROVED:

PRUDENTIAL AFFORDABLE MORTGAGE
COMPANY, SERVICER

By: _____
Title: _____
Date: _____

FINANCING AGREEMENT

among

**CITY OF OCEANSIDE,
as Issuer**

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

and

**SHADOW WAY APARTMENTS, LP,
as Borrower**

Relating to

**\$15,000,000
CITY OF OCEANSIDE
Variable Rate Demand Multifamily Housing Revenue Bonds
(Shadow Way Apartments Project)
Series 2009**

Dated as of February 1, 2009

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EXHIBIT A—FORM OF BOND MORTGAGE NOTE

FINANCING AGREEMENT

THIS FINANCING AGREEMENT (this “Financing Agreement”), made and entered into as of February 1, 2009, by and among the **CITY OF OCEANSIDE**, a municipal corporation, duly organized and existing under the laws of the State of California (the “State”) (together with its successors and assigns, the “**Issuer**”), **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, a national banking association, as trustee (together with any successor trustee hereunder and their respective successors and assigns, the “**Trustee**”), and **SHADOW WAY APARTMENTS, LP**, a limited partnership duly organized and existing under the laws of the State of California (together with its successors and assigns permitted hereunder, the “**Borrower**”),

WITNESSETH:

WHEREAS, pursuant to the provisions of Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California, as amended (the “Act”) and the Trust Indenture dated as of February 1, 2009 (the “Indenture”), between the Issuer and the Trustee, the Issuer has determined to issue its City of Oceanside Variable Rate Demand Multifamily Housing Revenue Bonds (Shadow Way Apartments Project) Series 2009 in the original aggregate principal amount of \$15,000,000 (the “Bonds”) to provide for the financing of a portion of the cost of the acquisition, rehabilitation and equipping of a multifamily rental housing development located at 4707 Yuma Avenue, Oceanside, California 92057 in Oceanside, California, known as Shadow Way Apartments (the “Project”); and

WHEREAS, the Issuer has agreed to use the proceeds of the sale of Bonds to finance a mortgage loan in the principal amount of \$15,000,000 (the “Bond Mortgage Loan”) from the Trustee to the Borrower in connection with the Project on the terms specified in this Financing Agreement and upon the satisfaction of various conditions contained herein and in the Indenture; and

WHEREAS, the Borrower has agreed to use the proceeds of the Bond Mortgage Loan to finance a portion of the cost of the acquisition, rehabilitation and equipping of the Project; and

WHEREAS, the Borrower’s repayment obligations in respect of the Bond Mortgage Loan will be evidenced by a Bond Mortgage Note dated as of February 1, 2009 (together with all riders and addenda thereto, the “Bond Mortgage Note”) delivered to the Trustee on behalf of the Bondholders under the Indenture; and

WHEREAS, the Borrower will cause to be delivered to the Trustee on the Delivery Date a direct pay Credit Enhancement Agreement dated as of February 1, 2009 (the “Credit Enhancement Agreement”) between the Federal Home Loan Mortgage Corporation (“Freddie Mac” or the “Credit Facility Provider”) and the Trustee which will provide for (a) draws in an amount equal to Guaranteed Payments with respect to the Bond Mortgage Loan and (ii) the payment of the Purchase Price of the Bonds during any period the Bonds bear interest at the Variable Rate, to the extent there are insufficient remarketing proceeds to pay the Purchase Price of the Bonds tendered for purchase while the Bonds bear interest at a Variable Rate; and

WHEREAS, Prudential Affordable Mortgage Company (the “Servicer”) shall act as initial servicer for the Bond Mortgage Loan; and

WHEREAS, the Borrower's reimbursement obligations to Freddie Mac for draws made under the Credit Enhancement Agreement will be evidenced by a Reimbursement and Security Agreement dated as of February 1, 2009 (the "Reimbursement Agreement"), between the Borrower and Freddie Mac; and

WHEREAS, to secure the Borrower's obligations under the Bond Mortgage Note, the Borrower will execute and deliver to the Trustee a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of February 1, 2009 (the "Bond Mortgage"), with respect to the Project; and

WHEREAS, to secure the Borrower's reimbursement obligations to Freddie Mac under the Reimbursement Agreement, the Borrower will execute and deliver to Freddie Mac on the Delivery Date a Multifamily Deed of Trust, Assignment of Rents and Security Agreement dated as of February 1, 2009 (the "Reimbursement Mortgage"), with respect to the Project; and

WHEREAS, the Issuer, the Trustee and Freddie Mac will enter into an Intercreditor Agreement dated as of February 1, 2009 (the "Intercreditor Agreement"), in connection with Freddie Mac's provision of credit enhancement;

NOW, THEREFORE, for and in consideration of the mutual covenants and representations hereinafter contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. All words and phrases (except for Event of Default) defined in the Indenture shall have the same meanings for the purposes of this Financing Agreement. In addition to the words and phrases defined in the Indenture and elsewhere herein, the following words and phrases shall have the following meanings:

"Event of Default" means any of those events specified in and defined by the applicable provisions of Article VII hereof to constitute an event of default.

"Financing Agreement" means this Financing Agreement, together with any amendments hereto.

"Taxes" means all taxes, water rents, sewer rents, assessments and other governmental or municipal or public or private dues, fees, charges and levies and any liens (including federal tax liens) which are or may be levied, imposed or assessed upon the Project or any part thereof, or upon any leases pertaining thereto, or upon the rents, issues, income or profits thereof, whether any or all of the aforementioned be levied directly or indirectly or as excise taxes or as income taxes.

"Wrongful Dishonor" means the failure of the Credit Facility Provider to honor a draw made in accordance with the terms of the Credit Facility (which draw strictly complies with, and conforms to, the terms and conditions of the Credit Facility).

Section 1.2 Interpretation. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa unless the context shall otherwise indicate. Words importing persons include firms, partnerships, limited liability companies, joint ventures, associations and corporations. References to Articles, Sections and other subdivisions of this Financing Agreement are the Articles, sections and other subdivisions of this Financing Agreement as originally executed.

The terms “herein,” “hereunder,” “hereby,” “hereto,” “hereof” and any similar terms refer to this Financing Agreement; the term “heretofore” means before the date of execution of this Financing Agreement; and the term “hereafter” means after the date of execution of this Financing Agreement.

ARTICLE II

REPRESENTATIONS AND COVENANTS

Section 2.1 Representations and Covenants of the Issuer. The Issuer makes the following representations and covenants:

(a) The Issuer is a municipal corporation, duly organized and existing under the laws of the State of California.

(b) The Issuer has all necessary power and authority to issue the Bonds and to execute and deliver this Financing Agreement, the Indenture, and the other Bond Financing Documents to which it is a party, and to perform its duties and discharge its obligations hereunder and thereunder.

(c) The Issuer has taken all action on its part for the issuance of the Bonds and for the sale, execution and delivery thereof.

(d) Each of the Bond Financing Documents to which the Issuer is a party has been duly validly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the other parties thereto, constitutes the legal, valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its respective terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium or other laws affecting creditors’ rights generally and the application of equitable principles.

(e) The Issuer has complied with the provisions of the laws of the State, including, but not limited to, the Act, which are prerequisites to the consummation of the transactions on the part of the Issuer described or contemplated in the Bond Financing Documents. The execution and delivery of the Bonds and the Bond Financing Documents to which the Issuer is a party, the consummation of the transactions on the part of the Issuer contemplated thereby and the fulfillment of or compliance with the terms and conditions thereof do not conflict with or result in the breach of any of the terms, conditions or provisions of any agreement or instrument or judgment, order or decree to which the Issuer is now a party or by which it is bound, nor do they constitute a

default under any of the foregoing or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature upon any property or assets of the Issuer under the terms of any instrument or agreement.

(f) No authorization, consent, approval, order, registration, declaration or withholding of objection on the part of, or filing of or with any governmental authority, other than those already obtained, is required for the due execution and delivery by the Issuer of, and performance by the Issuer of its obligations under, the Bond Financing Documents.

(g) There is no action, suit, proceeding, inquiry or investigation pending or, to the knowledge of the Issuer, threatened against the Issuer by or before any court, governmental agency or public board or body, nor, to the Issuer's knowledge, is there any basis therefor, which (i) affects or questions the existence or the territorial jurisdiction of the Issuer or the title to office of any member of the governing body of the Issuer; (ii) affects or seeks to prohibit, restrain or enjoin the execution and delivery of any Bond Financing Documents or the issuance, sale, execution or delivery of the Bonds; (iii) affects or questions the validity or enforceability of the Bonds or any Bond Financing Document; (iv) questions the tax-exempt status of the Bonds; or (v) questions the power or authority of the Issuer to perform its obligations under the Bonds or any Bond Financing Document, or to carry out the transactions contemplated by the Bonds and the Bond Financing Documents.

(h) No officer or other official of the Issuer has any personal financial interest in the Project or the Borrower or in the transactions contemplated by this Financing Agreement.

(i) Upon the discovery by the Issuer of any noncompliance by the Borrower with this Financing Agreement or the Tax Regulatory Agreement, the Issuer will notify the Trustee, the Servicer and the Credit Facility Provider of such noncompliance and will, subject to the provisions of Article VII hereof, promptly institute action, or cause the Trustee to institute action, to correct such noncompliance, will diligently pursue such action and will attempt to correct such noncompliance within sixty (60) days after such discovery, subject to the provisions of the Indenture, this Financing Agreement and the Tax Regulatory Agreement.

It is expressly acknowledged that the Issuer makes no representation as to the financial position or business condition of the Borrower and does not represent or warrant as to any of the statements, materials (financial or otherwise), representations or certifications furnished or to be made and furnished by the Borrower in connection with the issuance, sale, execution and delivery of the Bonds, or as to the correctness, completeness or accuracy of such statements.

Section 2.2 Representations, Warranties and Covenants of the Borrower. The Borrower makes the following representations, warranties and covenants, all of which, together with the other representations and agreements of the Borrower contained in this Financing Agreement, are relied upon by the Issuer, the Servicer, Freddie Mac and the Trustee and serve as a basis for the undertakings of the Issuer, the Servicer and the Trustee contained in this Financing Agreement:

(a) The Borrower is a limited partnership duly organized, validly existing and in good standing under the laws of the state in which it has been organized and duly qualified to conduct its business under the laws of the State and in every other state in which the nature of its business requires such qualification. All corporate general partners, if any, of the Borrower are duly incorporated, organized and in good standing under the laws of their respective states of incorporation and are duly qualified to transact business in the State as foreign corporations. All partnership general partners, if any, are duly formed and in good standing under the laws of their respective states of formation and, to the extent required by the laws of the State, are duly qualified to transact business in the State as foreign partnerships.

(b) The Borrower has the legal right, power and authority to (i) own its properties and assets, including, but not limited to, the Project, (ii) to carry on its business as now being conducted and the Borrower contemplates it to be conducted with respect to the Project and (iii) execute and deliver, carry out its obligations under, and close the transactions provided for in, the Bond Financing Documents to which it is a party.

(c) Each of the Bond Financing Documents to which the Borrower is a party has been duly authorized, executed and delivered by the Borrower and, assuming due authorization, execution and delivery by the other parties thereto, constitutes the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally and general principles of equity;

(d) No authorization, consent, approval, order, registration, declaration or withholding of objection on the part of, or filing of or with any governmental authority, other than those already obtained, is required for the due execution and delivery or approval, as the case may be, by the Borrower of, and the performance by the Borrower of its obligations under, the Bond Financing Documents.

(e) None of the execution and delivery of the Bond Financing Documents to which the Borrower is a party, the consummation of the transactions provided for in the Bond Financing Documents, or the Borrower's fulfillment of or compliance with the terms and conditions of the Bond Financing Documents (i) violates or will violate any law, rule or regulation of any governmental agency or body having jurisdiction over the Borrower or its general partner, or any of its activities or properties, or any judgment, order, writ, injunction or decree to which the Borrower or its general partner is subject, or any of the organizational or other governing documents of the Borrower or its general partner, (ii) conflicts or will conflict with any agreement, instrument or license to which the Borrower or its general partner is now a party or by which it or any of its properties or assets is bound or results or will result in a breach of, or constitutes or will constitute a default (with due notice or the passage of time or both) under, any such agreement, instrument or license, (iii) contravenes or will contravene any such law, rule or regulation or any such judgment, order, writ, injunction or decree, or (iv) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the

property or assets of the Borrower or its general partner, except for any lien, charge or encumbrance permitted under the terms of the Bond Financing Documents.

(f) The Borrower shall not cause or permit the Project, or any interest therein, to be sold, assigned or transferred, except as provided in the Bond Financing Documents.

(g) There is no action, suit, proceeding, inquiry or investigation pending or, to the Borrower's knowledge, threatened against or affecting the Borrower or any of its properties (including, without limitation, the Project), which, if adversely determined, would (i) materially impair the right of the Borrower to carry on its business substantially as now conducted and as contemplated by the Bond Financing Documents, (ii) materially adversely affect the financial condition of the Borrower, (iii) prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds, or the loaning of the proceeds of the Bonds to the Borrower or the execution and delivery of the Bonds or any of the Bond Financing Documents, (iv) adversely affect the validity or enforceability of the Bonds or any of the Bond Financing Documents or, (v) adversely affect the exclusion from gross income for federal income tax purposes of interest on the Tax Exempt Bonds.

(h) After completion of the rehabilitation of the Project, the Project and the operation of the Project (in the manner contemplated by the Bond Financing Documents) conform in all material respects with the requirements of the Act as well as all applicable zoning, planning, building and environmental laws, ordinances and regulations of governmental authorities having jurisdiction over the Project.

(i) The Borrower has filed or caused to be filed all federal, state and local tax returns which are required to be filed or has obtained appropriate extensions therefor, and has paid or caused to be paid all taxes as shown on said returns or on any assessment received by it, to the extent that such taxes have become due.

(j) The Borrower is not now in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument to which it is a party which default would materially adversely affect the transactions contemplated by the Bond Financing Documents or the operations of the Borrower or the enforceability of the Bond Financing Documents to which the Borrower is a party or the ability of the Borrower to perform all obligations thereunder.

(k) The Borrower agrees to pay all costs of maintenance and repair, all Taxes and assessments, insurance premiums (including public liability insurance and insurance against damage to or destruction of the Project) concerning or in any way related to the Project to the extent the same are not paid through the release of funds from any account held by the Servicer for those purposes, or any part thereof, and any expenses or renewals thereof, and any other governmental charges and impositions whatsoever, foreseen or unforeseen, and all utility and other charges and assessments concerning or in any way related to the Project.

(l) All of the partnership interests in the Borrower are validly issued and are fully registered, if required, with the applicable governmental authorities and/or agencies, and there are no outstanding options or rights to purchase or acquire those interests. Nothing

in this Financing Agreement shall prevent the Borrower from issuing additional partnership interests if such units are issued in accordance with all applicable securities laws.

(m) The representations and warranties of the Borrower contained in the Tax Certificate and Tax Regulatory Agreement are true and accurate.

(n) The information, statements or reports furnished in writing to the Issuer or the Credit Facility Provider by the Borrower in connection with this Financing Agreement or the consummation of the transactions contemplated hereby (including, without limitation, any written information furnished by the Borrower in connection with the preparation of the Official Statement for the Bonds and of any other materials related to the issuance, delivery or offering of the Bonds on the Delivery Date do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading; and the representations and warranties of the Borrower and the statements, information and descriptions contained in the Borrower's closing certificates, as of the Delivery Date, are true and correct in all material respects, do not contain any untrue statement of a material fact, and do not omit to state a material fact necessary to make the representations, warranties, statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading; and any estimates or the assumptions contained in any certificate of the Borrower delivered as of the Delivery Date are reasonable.

(o) To the knowledge of the Borrower, no council members, officer or employee of the Issuer has been or is in any manner interested, directly or indirectly, in that person's own name or in the name of any other person, in the Bond Financing Documents, the Borrower or the Project, in any contract for property or materials to be furnished or used in connection with the Project, or in any aspect of the transactions contemplated by the Bond Financing Documents.

(p) The Borrower intends to hold the Project for its own account and has no current plans to sell, and has not entered into any agreement, to sell all or any portion of the Project.

(q) The Project is located wholly within the boundaries of the City of Oceanside, California and the jurisdiction of the Issuer.

(r) The Borrower shall make no changes to the Project or to the operation thereof which would affect the qualification of the Project under the Act.

(s) The information contained in the Official Statement, only insofar as such information relates to the Borrower and the Project, is accurate in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact pertaining to the Borrower and the Project necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(t) The Indenture and the Credit Enhancement Agreement have been submitted to the Borrower for examination, and the Borrower, by execution of this Financing Agreement, acknowledges and agrees that it has participated in the drafting of the Indenture and has reviewed the Credit Enhancement Agreement and that it is bound by, shall adhere to the provisions of, and shall have the rights set forth by the applicable terms and conditions of, the Indenture.

Section 2.3 *Representations and Warranties of the Trustee.* The Trustee makes the following representations and warranties:

(a) The Trustee is a banking association, duly organized and existing under the laws of the United States.

(b) The Trustee has all necessary power (including corporate trust powers) and authority (i) to execute and deliver and (ii) to perform its obligations under the Bond Financing Documents to which it is a party, as well consummate the transactions contemplated by the Bond Financing Documents.

(c) The Trustee has duly authorized (i) the execution and delivery of and (ii) the performance by the Trustee of its obligations under the Bond Financing Documents to which it is a party, as well the actions of the Trustee contemplated by the Bond Financing Documents.

(d) Each of the Bond Financing Documents to which the Trustee is a party has been duly executed and delivered by the Trustee, and assuming due authorization, execution and delivery by the other parties thereto, constitute valid and binding obligations of the Trustee, enforceable against the Trustee in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium or other laws affecting creditors' rights generally and the application of equitable principles.

(e) The Trustee meets the qualifications to act as Trustee under the Indenture.

(f) The Trustee has complied with the provisions of law which are prerequisites to the consummation of the transactions on the part of the Trustee described or contemplated in the Bond Financing Documents.

(g) No approval, permit, consent, authorization or order of any court, governmental agency or public board or body not already obtained is required to be obtained by the Trustee as a prerequisite to (i) the execution and delivery of the Bond Financing Documents to which it is a party, (ii) the authentication or delivery of the Bonds, (iii) the performance by the Trustee of its obligations under the Bond Financing Documents to which it is a party, or (iv) the consummation of the transactions contemplated by the Bond Financing Documents to which it is a party. The Trustee makes no representation or warranty relating to compliance with any federal or state securities laws.

Section 2.4 *Arbitrage and Rebate Fund Calculations.* The Borrower shall (a) take or cause to be taken all actions necessary or appropriate in order to fully and timely comply with Section 4.12 of the Indenture, and (b) if required to do so under Section 4.12 of the Indenture, select at the Borrower's expense, a Rebate Analyst reasonably acceptable to the Issuer for the purpose of making any and all calculations required under Section 4.12 of the Indenture. Such calculations, if required, shall be made in the manner and at such times as specified in Section 4.12 of the Indenture. The Borrower shall cause the Rebate Analyst to provide such calculations to the Trustee and the Issuer at such times and with such directions as are necessary to comply fully with the arbitrage and rebate requirements set forth in the Indenture and to comply fully with Section 148 of the 1986 Code, including the timely payment of any arbitrage rebate owed.

Section 2.5 *Tax Covenants of the Borrower.* The Borrower hereby covenants and agrees:

(a) It will at all times comply with the terms of the Tax Certificate and the Tax Regulatory Agreement;

(b) It will not take, or permit to be taken on its behalf, any action which would cause the interest payable on the Bonds to be included in gross income, for federal income tax purposes (other than the holding of the Bonds by a substantial user or related party to the Borrower (as those terms are defined in the Code)), and will take such action as may be necessary in the opinion of Bond Counsel to continue such exclusion from gross income, including, without limitation, the preparation and filing of all statements required to be filed by it in order to maintain the exclusion (including, but not limited to, the filing of all reports and certifications required by the Tax Regulatory Agreement;

(c) No changes will be made to the Project, no actions will be taken by the Borrower and the Borrower will not omit to take any actions, which will in any way adversely affect the tax-exempt status of the Bonds;

(d) It will comply with the requirements of Section 148 of the 1986 Code and the Regulations issued thereunder throughout the term of the Bonds and will not make any use of the proceeds of the Bonds, or of any other funds which may be deemed to be proceeds of the Bonds under the Treasury regulations, which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the 1986 Code; and

(e) If the Borrower has or obtains actual knowledge of any situation, event or condition which would, to the best of its knowledge, result in the interest on the Bonds becoming includable in gross income for purposes of federal income tax purposes, it will promptly give written notice of such circumstance, event or condition to the Issuer, the Trustee, Freddie Mac and the Servicer.

Section 2.6 *Enforcement of Bond Financing Documents.* The Trustee may enforce and take all reasonable steps, actions and the proceedings necessary for the enforcement of all terms, covenants and conditions of the Bond Financing Documents as and to the extent set forth therein.

ARTICLE III

THE BOND MORTGAGE LOAN

Section 3.1 *Conditions to Funding the Bond Mortgage Loan.* Upon initial delivery of the Bonds, the Issuer shall cause the Bond proceeds to be deposited with the Trustee in accordance with Section 2.11 and 2.11A of the Indenture and Section 3.3 hereof. The Trustee shall use such proceeds as provided in Article IV of the Indenture; provided that no such disbursements of proceeds of the Bonds shall be made until the following conditions have been met:

(a) The Borrower shall have executed and delivered to the Trustee the Bond Mortgage Note in the form attached hereto as Exhibit A, with only such changes therein as shall be approved in writing by the Credit Facility Provider;

(b) The Bond Mortgage and the Reimbursement Mortgage shall have been executed and delivered by the Borrower and filed for recording in the appropriate office for officially recording real estate documents in the jurisdiction in which the Project is located (the "Recorder's Office");

(c) The Tax Regulatory Agreement shall have been executed and delivered by the parties thereto and shall have been filed for recording in the Recorder's Office, and the Trustee shall have received evidence satisfactory to it of such filing;

(d) The Credit Facility and all other Bond Financing Documents not listed above shall have been executed and delivered by all parties thereto and delivered to the Trustee; and

(e) The Borrower shall have delivered to the Trustee, the Issuer, the Servicer and the Credit Facility Provider a certificate confirming, as of the Delivery Date, the matters set forth in Section 2.2 and an opinion of its counsel or other counsel satisfactory to the Trustee, the Issuer, the Servicer and the Credit Facility Provider.

Section 3.2 *Terms of the Bond Mortgage Loan; Servicing.* (a) The Bond Mortgage Loan shall (i) be evidenced by the Bond Mortgage Note; (ii) secured by the Credit Facility; (iii) be in the principal amount of \$[15,000,000]; (iv) bear interest as provided in the Bond Mortgage Note; (v) provide for monthly payments into the Principal Reserve Fund in accordance with the Principal Reserve Schedule; and (vi) be subject to optional and mandatory prepayment at the times, in the manner and on the terms, and have such other terms and provisions, as provided herein and in the Bond Mortgage Note.

(b) The Servicer shall service the Bond Mortgage Loan pursuant to the Commitment and the Guide. The Issuer, the Trustee and the Borrower acknowledge and agree that (i) selection or removal of any Servicer is in the sole and absolute discretion of the Credit Facility Provider; (ii) neither the Issuer nor the Trustee shall terminate or attempt to terminate any Servicer as the servicer for the Bond Mortgage Loan or appoint or attempt to appoint a substitute servicer for the Bond Mortgage Loan; (iii) the Commitment and the Guide are both subject to amendment without the consent of the Trustee, the Issuer or the Borrower; and (iv)

none of the Trustee, the Issuer or the Borrower shall have any rights under, or be a third party beneficiary of, the Guide. The Servicer shall have the right to collect all payments made by the Borrower in connection with the Bond Mortgage Loan and to receive copies of all reports and notices provided for by the Bond Financing Documents.

Section 3.3 *Initial Deposits.* On the Delivery Date, proceeds of the Bonds in the amount of \$_____ shall be deposited in the Bond Mortgage Loan Fund. Amounts in the Bond Mortgage Loan Fund are to be disbursed to the Borrower as provided in Section 2.11 (d) of the Indenture. The Borrower will deposit with the Trustee the sum of \$_____ for credit to the Cost of Issuance Fund.

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

Section 3.4 *Assignment to Trustee.* The parties hereto acknowledge, and the Borrower consents to, the assignment by the Issuer to the Trustee pursuant to the Indenture of all of the Issuer's right, title and interest in this Financing Agreement (excluding the Unassigned Rights), the Bond Mortgage Loan, the Bond Mortgage, the Revenues and the Credit Facility as security for the payment of the Purchase Price of, principal of, premium, if any, and interest on the Bonds and the payment of the Freddie Mac Credit Enhancement Fee and Freddie Mac Reimbursement Amount.

Section 3.5 *Investment of Funds.* Except as otherwise provided in the Indenture, any money held as a part of any fund or account established under the Indenture shall be invested or reinvested by the Trustee in Qualified Investments in accordance with Section 4.08 of the Indenture.

Section 3.6 *Damage; Destruction and Eminent Domain.* If, prior to payment in full of the Bonds, the Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Issuer, the Borrower, the Trustee or the Servicer receives Net Proceeds from insurance or any condemnation award in connection therewith, such Net Proceeds shall be utilized as provided in the Bond Mortgage Loan Documents and the Indenture.

Section 3.7 *Continuing Disclosure Requirements.* The Borrower hereby covenants and agrees that, at least 30 days prior to any time the Bonds are to bear interest at a Reset Rate or Fixed Rate, it will promptly execute and deliver to the Trustee and the Issuer a continuing disclosure agreement complying with Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule"), or deliver to the Trustee and the Issuer an opinion of counsel to the effect that the requirements of the Rule are not triggered by the change in interest rate mode. Notwithstanding any other provision of this Financing Agreement, failure of the Borrower to comply with any continuing disclosure agreement shall not be considered an Event of Default hereunder; however, the Trustee, at the written request of any underwriter of the Bonds required to comply with the Rule or the Owners of at least 25% aggregate principal amount in Outstanding Bonds or the Credit Facility Provider, shall, but only to the extent indemnified to its satisfaction, or any Bondholder may, take such actions as may be necessary and appropriate,

including seeking specific performance by court order, to cause the Borrower to comply with its obligations under this Section.

ARTICLE IV

LOAN PAYMENTS

Section 4.1 *Payments Under the Bond Mortgage Note; Independent Obligation of Borrower.*

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

(b) The obligations of the Borrower to repay the Bond Mortgage Loan, to perform all of its obligations under the Bond Mortgage Loan Documents, to provide indemnification pursuant to Section 6.1, to pay costs, expenses and charges pursuant to Section 4.2 and to make any and all other payments required by this Financing Agreement, the Indenture or any other documents contemplated by this Financing Agreement or by the Bond Mortgage Loan Documents shall, subject to the limitations set forth in Section 5.1 hereof, be absolute and unconditional and shall not be subject to diminution by setoff, recoupment, counterclaim, abatement or otherwise.

(c) Notwithstanding anything contained in any other provision of this Financing Agreement to the contrary (but subject to the provisions of Section 5.1 hereof and the Intercreditor Agreement), the following obligations of the Borrower shall be and remain the joint and several full recourse obligations of the Borrower and each of the Borrower's general partners, payable from and enforceable against any and all income, assets and properties of the Borrower and each of its general partners: (i) the Borrower's obligations to the Issuer and the

Trustee under Section 4.2(b)(i), (ii), (iv), and (v) of this Financing Agreement; (ii) the Borrower's obligations under Section 6.1 of this Financing Agreement; (iii) the Borrower's obligation to pay any and all rebate amounts that may be or become owing with respect to the Tax Exempt Bonds as provided in this Financing Agreement and the Tax Certificate; and (iv) the Borrowers obligation to pay legal fees and such expenses under Section 7.4 of this Financing Agreement.

Section 4.2 *Payment of Certain Fees and Expenses Under the Bond Mortgage Note.*

(a) In addition to the payments set forth in Section 4.1, payments to be made by the Borrower under the Bond Mortgage Note include certain money to be paid in respect of, among others, the Bond Fee Component, the Ordinary Servicing Fees and Expenses, the Counterparty in connection with any Hedge Agreement, the Freddie Mac Credit Enhancement Fee, the Principal Reserve Schedule payments pursuant to Section 4.6 hereof and amounts required to be deposited in a Custodial Escrow Account pursuant to the Bond Mortgage Loan Documents, as set forth in subsection (b). To the extent that any portion of the Bond Fee Component, the Ordinary Servicing Fees and Expenses, the fixed rate payment to the Counterparty person to the Hedge Agreement if the Hedge is an interest rate swap, the Remarketing Agent's Fee, the Freddie Mac Credit Enhancement Fee, the Principal Reserve Schedule payments pursuant to Section 4.6 hereof and amounts required to be deposited in a Custodial Escrow Account remain due and owing at any time, such amounts remaining due and owing shall be payable from money on deposit in the Administration Fund as provided in Section 4.06 of the Indenture or from other money of the Borrower, to the extent that money in the Administration Fund is insufficient for such purposes. All other fees and expenses shall be payable from money of the Borrower as provided in subsection (b).

(b) The Borrower shall pay (or cause to be paid by the Trustee, to the extent paid from money on deposit in the Administration Fund or the Cost of Issuance Fund, as applicable), in consideration of the funding of the Bond Mortgage Loan, the following fees, expenses and other money payable in connection with the Bond Mortgage Loan:

(i) On the Delivery Date, from moneys on deposit in the Cost of Issuance Fund or, to the extent such moneys are insufficient for such purpose, from other moneys of the Borrower, to Freddie Mac, the closing fee of Freddie Mac set forth in Section 3.1 of the Reimbursement Agreement, together with all third party and out-of-pocket expenses of Freddie Mac (including but not limited to the fees and expenses of counsel to Freddie Mac) in connection with the Bond Mortgage Loan and the Credit Enhancement Agreement.

(ii) On the Delivery Date, from moneys on deposit in the Cost of Issuance Fund or, to the extent such moneys are insufficient for such purpose, from other moneys of the Borrower, to the Issuer, an initial financing fee in an amount equal to \$_____, together with all third party and out-of-pocket expenses of the Issuer (including but not limited to the fees and expenses of counsel to the Issuer) in connection with the Bond Mortgage Loan and the issuance of the Bonds.

(iii) On the Delivery Date, from money on deposit in the Cost of Issuance Fund or, to the extent such money is insufficient for such purpose, from other money of

the Borrower, to the Trustee, an acceptance fee (which includes the initial annual fee) in an amount equal to \$ _____, together with all third party and out-of-pocket expenses of the Trustee (including but not limited to the fees and expenses of counsel to the Trustee) in connection with the Bond Mortgage Loan and the issuance of the Bonds.

(iv) From money of the Borrower, to the Trustee, within two (2) Business Days of receipt from the Trustee of a notice of deficiency in the Administration Fund as provided in Section 4.06 of the Indenture, the amount of any such deficiency in the Administration Fund.

(v) From money on deposit in the Administration Fund or, to the extent such money is insufficient for such purpose, from other money of the Borrower, to the Trustee, the Ordinary Trustee's Fees and Expenses and the Extraordinary Trustee's Fees and Expenses when due from time to time.

(vi) From money on deposit in the Administration Fund or, to the extent such money is insufficient for such purpose, from other money of the Borrower, to the Issuer, the Issuer Fee when due and any extraordinary expenses not covered by the Issuer Fee the Issuer may incur in connection with the Bond Financing Documents or the Project from time to time.

(vii) From money on deposit in the Administration Fund or, to the extent such money is insufficient for such purpose, from other money of the Borrower, to the Rebate Analyst, the reasonable fees and expenses of such Rebate Analyst in connection with the computations relating to arbitrage rebate required under the Indenture and this Financing Agreement when due from time to time.

(viii) From amounts withheld by the Servicer as provided in the Guide, to Freddie Mac, the Freddie Mac Credit Enhancement Fee due and owing from time to time.

(ix) From moneys on deposit in the Administration Fund or, to the extent such moneys are insufficient for such purpose, from other moneys of the Borrower, to Freddie Mac, the amount of any Freddie Mac Reimbursement Amount due and owing from time to time but unpaid and any portion of the Freddie Mac Credit Enhancement Fee remaining unpaid as provided in Section 4.06 of the Indenture.

(x) From amounts withheld by the Servicer as provided in the Guide, to the Servicer, the Ordinary Servicing Fees and Expenses due and owing from time to time.

(xi) From moneys on deposit in the Administration Fund or, to the extent such moneys are insufficient for such purpose, from other moneys of the Borrower, to the Servicer, the amount of any portion of the Ordinary Servicing Fees and Expenses remaining unpaid and any Extraordinary Servicing Fees and Expenses.

(xii) From amounts withheld by the Servicer as provided in the Guide, to the Servicer, the amounts required to be deposited in a Custodial Escrow Account pursuant to the Bond Mortgage Loan Documents from time to time.

(xiii) From moneys on deposit in the Administration Fund or, to the extent such moneys are insufficient for such purpose, from other moneys of the Borrower, to the Servicer, the amounts required to be deposited in the Custodial Escrow Account remaining unpaid.

(xiv) From money on deposit in the Administration Fund or, to the extent such money is insufficient for such purpose, from other money of the Borrower, to the Remarketing Agent, the Remarketing Agent's Fees remaining unpaid.

(xv) From money on deposit in the Administration Fund, or to the extent such money is insufficient for such purpose, from other money of the Borrower, to the Rating Agency, the annual rating maintenance fee, if any, of the Rating Agency.

(xvi) From money on deposit in the Administration Fund, or to the extent such money is insufficient for such purpose, from other money of the Borrower, to the Counterparty, the fixed rate payment due pursuant to the Hedge Agreement if the Hedge is an interest rate swap.

Section 4.3 *Payments to Rebate Fund.* The Borrower shall pay when due to the Trustee at its Principal Office any amount required to be deposited in the Rebate Fund in accordance with Section 4.12 of the Indenture.

Section 4.4 *Prepayment of Bond Mortgage Loan.* The Borrower shall have the option to prepay the Bond Mortgage Loan in full or in part prior to the payment and discharge of all the Outstanding Bonds in accordance with the provisions of the Indenture, this Financing Agreement, the Reimbursement Agreement and the Bond Mortgage Note, and only with the prior written consent of the Credit Facility Provider and the payment of any amount due under the next succeeding paragraph. The Borrower shall be required to prepay the Bond Mortgage Loan in each case that Bonds are required to be redeemed in accordance with the terms and conditions set forth in the Indenture.

In connection with any prepayment, whether optional or mandatory, in addition to all other payments required under the Bond Mortgage Note, the Borrower shall pay, or cause to be paid to the Servicer or other party as directed by the Credit Facility Provider (or, if no Credit Facility is then in effect, to the Trustee), an amount sufficient to pay the redemption price of the Bonds to be redeemed, including principal, interest and premium (if any), such premium to be paid in Eligible Funds not consisting of funds drawn under the Credit Facility, and further including any interest to accrue with respect to the Bond Mortgage Loan and such Bonds between the prepayment date and the redemption date, together with a sum sufficient to pay all fees, costs and expenses in connection with such redemption and, in the case of redemption in whole, to pay all other amounts payable under this Financing Agreement, the Indenture and the Reimbursement Agreement. The Borrower shall provide notice of the prepayment to the Issuer, the Trustee, the Remarketing Agent, the Credit Facility Provider and the Servicer in writing forty five (45) days, or such shorter time as is possible in the case of mandatory prepayments, prior to the date on which the Borrower will make the prepayment. Each such notice shall state, to the extent such information is available (a) the amount to be prepaid, (b) the date on which the prepayment will be made by the Borrower, and (c) the cause for the prepayment, if any.

Section 4.5 *Borrower's Obligations Upon Redemption or Tender.* In the event of any redemption, the Borrower will timely pay, or cause to be paid through the Servicer, to the Trustee an amount equal to the principal amount of such Bonds or portions thereof called for redemption, together with interest accrued to the redemption date and premium, if any, such premium to be paid in Eligible Funds not consisting of funds drawn under the Credit Facility. In addition, the Borrower will timely pay all fees, costs and expenses associated with any redemption of Bonds. In the event that on any optional tender date or mandatory tender date under and as provided in Sections 10.01, 10.02, 2.02, 2.13 or 3.06 of the Indenture, Bonds are tendered and not remarketed by the Remarketing Agent, and remarketing proceeds are not available for the purpose of paying the purchase price of such Bonds, the Borrower will cause to be paid, under and subject to the terms of the Credit Facility and the Reimbursement Agreement, to the Trustee by the applicable times provided in the Indenture an amount equal to the principal amount of such Bonds tendered and not remarketed, together with interest accrued thereon to the optional tender date or mandatory tender date, as the case may be. The Borrower acknowledges that Purchased Bonds will be purchased by the Trustee for and on behalf of, and registered in the name of, the Borrower and will be pledged to the Credit Facility Provider pursuant to the Pledge Agreement.

Section 4.6 *Principal Reserve Fund.* The Borrower shall make payments to the Servicer for remittance to the Trustee for deposit into the Principal Reserve Fund at the times and in the amounts set forth in the Reimbursement Agreement. Amounts on deposit in the Principal Reserve Fund shall be applied as provided in the Indenture.

Amounts on deposit in the Principal Reserve Fund shall not be credited against the principal amount of the Bond Mortgage Note or be deemed to be interest payments on the Bond Mortgage Loan until the date such amounts are withdrawn from the Principal Reserve Fund and used to reimburse the Credit Facility Provider for amounts paid under the Credit Facility to redeem or otherwise pay principal of or interest on the Bonds.

ARTICLE V

SPECIAL COVENANTS OF BORROWER

Section 5.1 *Performance of Obligations.* The Borrower shall keep and faithfully perform all of its covenants and undertakings contained herein and in the Bond Financing Documents, including, without limitation, its obligations to make all payments set forth herein and therein in the amounts, at the times and in the manner set forth herein and therein.

Except with respect to the obligations of the Borrower set forth in Sections 2.4, 2.5, 4.2, 5.8, 6.1 and 7.4, but otherwise notwithstanding any other provisions of this Financing Agreement, the obligations of the Borrower under this Financing Agreement are non-recourse liabilities of the Borrower and the sole remedy against the Borrower shall be to foreclose on the Project. However, nothing in this Section shall limit the right of the Issuer, the Trustee, the Servicer or the Credit Facility Provider to proceed against the Borrower to recover any fees owing to any of them or any actual out of pocket expenses (including but not limited to actual out of pocket attorneys' fees incurred by any of them) incurred by any of them in connection with the enforcement of any rights under this Financing Agreement or other Bond Financing

Documents. Nothing in this Section shall limit any right that the Servicer or the Credit Facility Provider may have to enforce the Bond Mortgage Note, the Bond Mortgage, or any other Bond Mortgage Loan Document in accordance with their terms.

Section 5.2 *Compliance With Applicable Laws.* All work performed in connection with the Project shall be performed in strict compliance with all applicable federal, state, county and municipal laws, ordinances, rules and regulations now in force or that may be enacted hereafter.

Section 5.3 *Indenture Provisions.* The execution of this Financing Agreement shall constitute conclusive evidence of approval of the Indenture by the Borrower. Whenever the Indenture by its terms imposes a duty or obligation upon the Borrower, such duty or obligation shall be binding upon the Borrower to the same extent as if the Borrower were an express party to the Indenture, and the Borrower shall carry out and perform all of its obligations under the Indenture as fully as if the Borrower were a party to the Indenture.

Section 5.4 *Alternate Credit Facility.* The Borrower, with the prior written confirmation of the Credit Facility Provider that the provisions of the Reimbursement Agreement have been satisfied (but without the consent of the Issuer, the Trustee or the Bondholders), may, on any Interest Payment Date during a Variable Period, on any Reset Adjustment Date, or any Variable Rate Adjustment Date and on the Fixed Rate Adjustment Date (but no later than thirty (30) days prior to the expiration date of the Credit Facility unless an irrevocable commitment to extend the Credit Facility has been delivered to the Trustee satisfying the requirements of the Indenture, if applicable), and, following the beginning of a Reset Period, on any Interest Payment Date occurring after the Bonds may first be optionally redeemed at a price of not greater than par plus accrued interest to the redemption date and subject to the terms of the Credit Facility and Reimbursement Agreement, arrange for the delivery to the Trustee of an Alternate Credit Facility in substitution for the Credit Facility then in effect (referred to in this Section 5.4 as “credit support”) and, if applicable, for payment of the Purchase Price of Bonds delivered or deemed delivered in accordance with Article X of the Indenture (referred to in this Section 5.4 as “liquidity support”); provided that, without the consent of the Borrower (and without the consent of the Issuer, the Trustee or the Bondholders), the Credit Facility Provider may provide any other form of “credit support” or “liquidity support” (or combination thereof) issued by the Credit Facility Provider in substitution for then existing Credit Facility if (A) the conditions of Section 8.05 of the Indenture are satisfied or (B)(i) the Rating Agency confirms in writing that such substitution will not result in a reduction, withdrawal or qualification of the then current rating on the Bonds, (ii) the Credit Facility Provider delivers to the Issuer and the Trustee an opinion of counsel satisfying the requirements of subsection (c) of this Section and (iii) such substitute “credit support” or “liquidity support”(or combination thereof) does not increase the amounts required to be paid by, or other obligations of, the Borrower. Any Alternate Credit Facility shall satisfy the following conditions, as applicable:

(a) An Alternate Credit Facility may be issued to provide only credit support or only liquidity support so long as a separate Credit Facility provides, at all times while such Alternate Credit Facility is in effect, complementary credit support or liquidity support, as the case may be, so that at all times while any of the Bonds bear interest at the Variable Rate or the Reset Rate such Bonds shall be entitled to credit support and to the

liquidity support required by such mode; provided that in no event shall Freddie Mac be obligated to provide only liquidity or credit support if any Person other than Freddie Mac provides either liquidity or credit support. During the Fixed Rate Period, the Bonds shall be entitled to credit support only and no Alternate Credit Facility may be provided.

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

(c) In connection with the delivery of an Alternate Credit Facility, the Trustee must receive (i) an opinion of counsel to the Credit Facility Provider issuing the Alternate Credit Facility, in form and substance satisfactory to the Issuer and the Trustee, relating to the due authorization and issuance of the Alternate Credit Facility, its enforceability, that the statements made relating to the Alternate Credit Facility and Reimbursement Agreement contained in any disclosure document or supplement to the existing disclosure document related to the Bonds are true and correct, that the Alternate Credit Facility is not required to be registered under the Securities Act of 1933, and, if required by the Rating Agency, that payments made by the Alternate Credit Facility Provider pursuant to the Alternate Credit Facility will not be voidable under Section 547 of the Bankruptcy Code and would not be prevented by the automatic stay provisions of Section 362(a) of the Bankruptcy Code, in the context of a case or proceeding by or against the Borrower, a general partner of the Borrower or by the Issuer under the Bankruptcy Code; (ii) an Opinion of Bond Counsel to the effect that the substitution of such Alternate Credit Facility will not adversely affect the exclusion from gross income, for federal income tax purposes, of the interest payable on the Tax Exempt Bonds; and (iii) the delivery of a continuing disclosure agreement if required by Section 3.7.

Section 5.5 *Borrower to Maintain Its Existence; Certification of No Default.*

(a) The Borrower agrees to maintain its existence and maintain its current legal status with authority to own and operate the Project.

(b) In addition to performing all other similar requirements under the Bond Financing Documents to which the Borrower is a party, the Borrower shall, within 30 days after the end of each calendar year, render to the Trustee a certificate executed by an Authorized Officer of the Borrower to the effect that the Borrower is not, as of the date of such certificate, in default of any of its covenants, agreements, representations or warranties under any of the Bond Financing Documents to which the Borrower is a party and that, to the best of the Borrower's knowledge after due inquiry, there has occurred no default under any Bond Financing Document.

Section 5.6 *Borrower to Remain Qualified in State and Appoint Agent.* The Borrower will remain duly qualified to transact business in the State and will maintain an agent in the State on whom service of process may be made in connection with any actions against the Borrower.

Section 5.7 *Sale or Other Transfer of Project.* Subject to the Intercreditor Agreement, the Borrower may convey and transfer the Project only upon strict compliance with the provisions of the Bond Mortgage Loan Documents and upon receipt of the prior written consent of the Issuer and Credit Facility Provider.

Section 5.8 *Right to Perform Borrower's Obligations.* In the event the Borrower fails to perform any of its obligations under this Financing Agreement, the Issuer, the Trustee and/or the Servicer, after giving requisite notice, if any, and subject to the Intercreditor Agreement, may, but shall be under no obligation to, perform such obligation and pay all costs related thereto, and all such costs so advanced by the Issuer, the Trustee or the Servicer shall become an additional obligation of the Borrower hereunder, payable on demand and if not paid on demand with interest thereon at the default rate of interest payable under the Bond Mortgage Loan Documents.

Section 5.9 *Notice of Certain Events.* The Borrower shall promptly advise the Issuer, the Trustee and the Servicer in writing of the occurrence of any Event of Default of which the Borrower has actual knowledge hereunder or any event which, with the passage of time or service of notice or both, would constitute an Event of Default of which the Borrower has actual knowledge, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto.

Section 5.10 *Survival of Covenants.* The provisions of Sections 2.4, 2.5, 4.2, 4.3, 6.1 and 7.4 of this Financing Agreement shall survive the expiration or termination of this Financing Agreement

Section 5.11 *Access to Project; Records.* Subject to reasonable prior written notice, the Issuer, the Trustee, the Servicer and the Credit Facility Provider, and the respective duly authorized agents of each, shall have the right (but not any duty or obligation) at all reasonable times and during normal business hours to enter the Project and any other location containing the

records relating to the Borrower, the Project, the Bond Mortgage Loan and the Borrower's compliance with the terms and conditions of the Bond Financing Documents, and to inspect and audit any and all of the Borrower's records or accounts pertaining to the Borrower, the Project, the Bond Mortgage Loan and the Borrower's compliance with the terms and conditions of the Bond Financing Documents, and shall have the right to require the Borrower, at the Borrower's sole expense, to furnish such documents to the Issuer, the Trustee, the Servicer and the Credit Facility Provider, as the Issuer, the Trustee, the Servicer or the Credit Facility Provider, as the case may be, from time to time, deems reasonably necessary in order to determine that the provisions of the Bond Financing Documents have been complied with and to make copies of any records that Issuer, the Trustee, the Servicer or the Credit Facility Provider or the respective duly authorized agents of each, may reasonably require. The Borrower shall make available to the Issuer, the Trustee, the Servicer and the Credit Facility Provider, such information concerning the Project, the Bond Mortgage and the Bond Financing Documents as any of them may reasonably request.

ARTICLE VI

INDEMNIFICATION

Section 6.1 *Indemnification.* The Borrower shall indemnify and hold harmless the Issuer, the Trustee, the Servicer and the Credit Facility Provider and their respective officers, directors, officials, employees, agents, attorneys, accountants, advisors, consultants and servants, past, present or future, from and against (a) any and all claims by or on behalf of any person other than the Issuer, the Trustee, the Servicer or the Credit Facility Provider arising from any cause whatsoever in connection with the Bond Mortgage Loan, any of the Bond Financing Documents, the Project, the Remarketing Agreement or the issuance, offering, sale or remarketing of the Bonds; (b) any and all claims arising from any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees by any person in connection with the Bond Mortgage Loan, any of the Bond Financing Documents, the Project, the Remarketing Agreement or the issuance, offering, sale or remarketing of the Bonds; and (c) all costs, counsel fees, expenses or liabilities incurred in connection with any such claim or proceeding brought thereon; except that the Borrower shall not be required to indemnify any person for damages caused by the willful misconduct or unlawful acts of such person. In the event that any action or proceeding is brought or claim made against the Issuer, the Trustee, the Servicer or the Credit Facility Provider, or any of their respective officers, commissioners, directors, officials, employees, agents, attorneys, accountants, advisors, consultants or servants, with respect to which indemnity may be sought hereunder, the Borrower, upon written notice thereof from the indemnified party, shall assume the investigation and defense thereof, including the employment of counsel and the payment of all expenses. The indemnified party shall have the right to approve a settlement to which it is a party; provided however, the Borrower shall not be obligated to accept such settlement if it will materially adversely affect the Borrower, its financial condition or its ability to operate the Project, and to employ separate counsel in any such action or proceedings and to participate in the investigation and defense thereof, and the Borrower shall pay the reasonable fees and expenses of such separate counsel. The provisions of this Section shall survive the termination of this Financing Agreement.

Section 6.2 *Limitation With Respect to the Credit Facility Provider.* Notwithstanding anything in this Financing Agreement to the contrary, in the event that the Credit Facility Provider shall become the owner of the Project as a result of a foreclosure or a deed in lieu of foreclosure or comparable conversion of the Bond Mortgage Loan, the Credit Facility Provider shall not be liable for any breach or default of any prior owner of the Project under this Financing Agreement and shall only be responsible for defaults and obligations incurred or occurring during the period that the Credit Facility Provider is the owner of the Project. Accordingly, during any period that the Credit Facility Provider owns the Project and that this Article VI is applicable to the Credit Facility Provider, the Credit Facility Provider's obligations under this Article VI shall be limited to acts and omissions of the Credit Facility Provider occurring during the period of the Credit Facility Provider's ownership of the Project.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.1 *Events of Default.* The following shall be "Events of Default" under this Financing Agreement and the terms "Event of Default" shall mean, whenever they are used in this Financing Agreement, one or all of the following events:

(a) Any representation or warranty made by the Borrower in the Bond Financing Documents or any certificate, statement, data or information furnished by the Borrower in connection therewith or included by the Borrower in its application to the Issuer for assistance proves at any time to have been incorrect when made in any material respect;

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

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

(d) The occurrence of a default under the Reimbursement Agreement shall at the discretion of the Credit Facility Provider constitute an Event of Default under this Financing Agreement. The occurrence of an Event of Default shall in the discretion of the Credit Facility Provider constitute a default under the Bond Mortgage Loan Documents and the Reimbursement Agreement.

Nothing contained in this Section is intended to amend or modify any of the provisions of the Bond Financing Documents or to bind the Issuer, the Trustee, the Servicer or the Credit

Facility Provider to any notice and cure periods other than as expressly set forth in the Bond Financing Documents.

Section 7.2 Remedies on Default. Subject to Section 7.6 and provisions of the Intercreditor Agreement, whenever any Event of Default hereunder shall have occurred and be continuing, the Trustee or the Issuer where so provided may take any one or more of the following remedial steps:

(a) The Issuer shall cooperate with the Trustee as the Trustee acts pursuant to Section 6.02 of the Indenture.

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

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

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

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

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

Section 7.3 No Remedy Exclusive. No remedy conferred upon or reserved to the Issuer or the Trustee by this Financing Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be

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

Section 7.4 *Agreement to Pay Attorneys' Fees and Expenses.* In the event the Borrower should default under any of the provisions of this Financing Agreement and the Issuer, the Trustee, the Servicer or the Credit Facility Provider should employ attorneys or incur other expenses for the collection of loan payments or the enforcement of performance or observance of any obligation or agreement on the part of the Borrower contained in this Financing Agreement or in the Bond Mortgage Note, the Borrower shall on demand therefor reimburse the reasonable fees of such attorneys and such other expenses so incurred; in addition, if litigation is commenced with respect to the collection of loan payments or the enforcement of performance or observance of any obligations or agreement on the part of the Borrower hereunder or under any other Bond Mortgage Loan Document, the prevailing party in such litigation shall be entitled to receive the reasonable attorneys' fees and costs incurred in such litigation and any appeals therefrom.

Section 7.5 *No Additional Waiver Implied by One Waiver.* In the event any agreement contained in this Financing Agreement should be breached by any party and thereafter waived by the other parties, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 7.6 *Rights of Credit Facility Provider.* Notwithstanding anything herein to the contrary, as long as a Wrongful Dishonor (as defined in the Intercreditor Agreement) has not occurred with respect to the Credit Facility, none of the Issuer, the Trustee or any other person shall, upon the occurrence of an Event of Default hereunder or a default under any other Bond Financing Document, take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Bond Mortgage Loan, except at the written direction of the Credit Facility Provider; provided that this prohibition shall not be construed to limit the rights of the Issuer or the Trustee to specifically enforce the Tax Regulatory Agreement in order to provide for operation of the Project in accordance with the 1986 Code and the laws of the State, including the Act; and provided further that this prohibition shall not be construed to limit the rights of the Issuer, the Trustee, the Credit Facility Provider or the Servicer or any other indemnified party under Section 6.1 to enforce its rights against the Borrower under Sections 2.4, 2.5, 4.2, 4.3, 6.1 and 7.4 by mandamus or other suit, action or proceeding at law or in equity where such suit, action or proceeding does not seek any remedies under or with respect to the Bond Mortgage or cause acceleration of the Bond Mortgage Loan.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 *Notices.*

(a) Whenever in this Financing Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Any notice, request, complaint, demand, communication or other paper required or permitted to be delivered to the Issuer, the Trustee, the Credit Facility Provider, the Borrower or the Servicer shall be sufficiently given and shall be deemed given (unless another form of notice shall be specifically set forth herein) on the Business Day following the date on which such notice or other communication shall have been delivered to a national overnight delivery service (receipt of which to be evidenced by a signed receipt from such overnight delivery service) addressed to the appropriate party at the addresses set forth below. The Issuer, the Trustee, the Credit Facility Provider, the Borrower or the Servicer may, by notice given as provided in this paragraph, designate any further or different address to which subsequent notices or other communication shall be sent.

The Issuer: City of Oceanside
321 N. Nevada Street
Oceanside, CA 92504
Attention: Director of Housing and Neighborhood Services
Telephone:
Telecopier:

The Trustee: The Bank of New York Mellon Trust Company, N.A.
601 Union Street, Suite 520
Seattle, WA 98101-2321
Attention:
Telephone:
Telecopier:

The Borrower: Shadow Way Apartments, LP
c/o Shadow Way Holdings, LLC
26522 La Alameda Way, Suite 260
Mission Viejo, CA 92691
Attention: Kipling Sheppard
Telephone: (949) 367-1393
Facsimile: (949) 367-0244

with a copy to: Western Community Housing, Inc.
151 Kalmus Drive, Suite J-5
Costa Mesa, CA 92626
Attention: Graham Espley-Jones
Telephone: (714) 549-4100 Ext. 101
Facsimile: (714) 549-4600

(which copy shall not constitute notice to the Borrower)

The Credit Facility
Provider: Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
Mail Stop B4Q
McLean, Virginia 22102
Attention: Director of Multifamily Loan Accounting
Facsimile: (703) 714 3273
Telephone: (703) 903 2000

with a copy to: Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive
McLean, Virginia 22102
Attention: Associate General Counsel – Multifamily
Legal Department
Telephone: (703) 903-2000
Facsimile: (703) 903-2885

with a copy to: Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
Mail Stop B4F
McLean, Virginia 22102
Attention: Director of Multifamily Loan Servicing
Telephone: (703) 903-2000
Facsimile: (703) 714-3003

The Servicer: Prudential Asset Resources
2100 Ross Avenue, Suite 2500
Dallas, TX 75201
Attention: Director – Structured Products
Telephone: (214) 777-4523
Facsimile: (214) 777-4556

with a copy to: Prudential Affordable Mortgage Company
8401 Greensboro Drive, Suite 200
McLean, VA 22102
Attn: President – Affordable Housing
Telephone: (703) 610-1340
Facsimile: (703) 610-1405

The Remarketing
Agent: Stone & Youngberg LLC
515 S. Figueroa Street, Suite 1060
Los Angeles, CA 90071
Attention:
Telephone: (213) 443-5000
Telecopier:

The Tender Agent: The Bank of New York Mellon Trust Company, N.A.
[Address]
Attention:
Telephone:
Telecopier:

A duplicate copy of each notice or other communication given hereunder by any party to the Servicer shall also be given to the Credit Facility Provider and a duplicate copy of each notice or other communication given hereunder by any party to the Credit Facility Provider shall be given to the Servicer.

The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Financing Agreement, provided, however, that subsequent to such facsimile transmission of written instructions, the originally executed instructions and/or directions shall be provided to the Trustee in a timely manner.

(b) The Trustee shall provide to the Credit Facility Provider and the Servicer (i) prompt notice of the occurrence of any Event of Default hereunder and (ii) any written information or other communication received by the Trustee hereunder within ten (10) Business Days of receiving a written request from the Credit Facility Provider for any such information or other communication.

Section 8.2 *Concerning Successors and Assigns.* All covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the financing herein contemplated and shall continue in full force and effect so long as the obligations hereunder are outstanding. Whenever in this Financing Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Borrower which are contained in this Financing Agreement shall bind its successors and assigns and inure to the benefit of the successors and assigns of the Issuer, the Trustee, the Servicer and the Credit Facility Provider.

Section 8.3 *Governing Law.* This Financing Agreement and the Exhibits attached hereto shall be construed in accordance with and governed by the laws of the State and, where applicable, the laws of the United States of America.

Section 8.4 *Modifications in Writing.* Modification or the waiver of any provisions of this Financing Agreement or consent to any departure by the parties therefrom, shall in no event be effective unless the same shall be in writing approved by the parties hereto and shall require the prior written consent of the Credit Facility Provider and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given and so long as the interests of any Bondholders are not adversely affected and the Trustee consents in writing thereto. No notice to or demand on the Borrower in any case shall entitle it to any other or further notice or demand in the same circumstances.

Section 8.5 *Further Assurances and Corrective Instruments.* The Issuer, the Trustee and the Borrower agree that they will, from time to time, execute, acknowledge and deliver, or

cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required (including such supplements or further instruments requested by the Credit Facility Provider) for correcting any inadequate or incorrect description of the performance of this Financing Agreement.

Section 8.6 *Captions.* The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Financing Agreement.

Section 8.7 *Severability.* The invalidity or unenforceability of any provision of this Financing Agreement shall not affect the validity of any other provision, and all other provisions shall remain in full force and effect.

Section 8.8 *Counterparts.* This Financing Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 8.9 *Amounts Remaining in Bond Fund or Other Funds.* It is agreed by the parties hereto that any amounts remaining in the Bond Fund or other funds and accounts established under the Indenture upon expiration or sooner termination of the term hereof, shall be paid in accordance with the Indenture.

Section 8.10 *Effective Date and Term.* This Financing Agreement shall become effective upon its execution and delivery by the parties hereto, shall be effective and remain in full force from the date hereof, and, subject to the provisions hereof, shall expire on such date as the Indenture shall terminate.

Section 8.11 *Cross References.* Any reference in this Financing Agreement to an “Exhibit,” an “Article,” a “Section,” a “Subsection” or a “Paragraph” shall, unless otherwise explicitly provided, be construed as referring, respectively, to an exhibit attached to this Financing Agreement, an article of this Financing Agreement, a section of this Financing Agreement, a subsection of the section of this Financing Agreement in which the reference appears and a paragraph of the subsection within this Financing Agreement, a subparagraph of the paragraph within this Financing Agreement or a clause within a sentence within this Financing Agreement in which the reference appears. All exhibits attached to or referred to in this Financing Agreement are incorporated by reference into this Financing Agreement.

Section 8.12 *Credit Facility Provider and Servicer as Third-Party Beneficiaries.* The parties hereto agree and acknowledge that the Credit Facility Provider and the Servicer are third-party beneficiaries of this Financing Agreement.

Section 8.13 *Credit Facility Provider.* Following the release of the Credit Enhancement Agreement by the Trustee pursuant to the terms of the Indenture and the provision of an Alternate Credit Facility, all notices to be provided Freddie Mac hereunder shall be provided to the Alternate Credit Facility Provider and payments to be made to Freddie Mac by the Servicer or from the Administration Fund shall be paid to the Alternate Credit Facility Provider.

Section 8.14 *Non-Liability of Issuer.* The Issuer shall not be obligated to pay the principal (or redemption price) of or interest on the Bonds, except from Revenues and other moneys and assets received by the Trustee on behalf of the Issuer pursuant to this Financing Agreement. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, nor the faith and credit of the Issuer or any member is pledged to the payment of the principal (or redemption price) or interest on the Bonds. The Issuer shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Financing Agreement, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the Borrower under this Financing Agreement.

The Borrower hereby acknowledges that the Issuer's sole source of moneys to repay the Bonds will be provided by the payments made by the Borrower pursuant to this Financing Agreement, together with investment income on certain funds and accounts held by the Trustee under the Indenture, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal (or redemption price) and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee, the Borrower shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or redemption price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Borrower, the Issuer or any third party, subject to any right of reimbursement from the Trustee, the Issuer or any such third party, as the case may be, therefor.

Section 8.15 *No Liability of Officers.* No recourse under or upon any obligation, covenant, or agreement or in any Bonds, or under any judgment obtained against the Issuer, or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, shall be had against any incorporator, member, director, commissioner or officer, as such, past, present, or future, of the Issuer, either directly or through the Issuer, or otherwise, for the payment for or to the Issuer or any receiver thereof, or for or to the Owner of any Bonds, of any sum that may be due and unpaid by the Issuer upon any of the Bonds. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such incorporator, member, director, commissioner or officer, as such, to respond by reason of any act or omission on his part or otherwise, for the payment for or to the Issuer or any receiver thereof, or for or to the Owner of any Bonds, of any sum that may remain due and unpaid upon the Bonds or any of them, is hereby expressly waived and released as a condition of and consideration for the execution of this Financing Agreement and the issuance of the Bonds.

IN WITNESS WHEREOF, the parties hereto have executed this Financing Agreement and the Issuer has caused its corporate seal to be affixed hereto and to be attested, all as of the date first set forth above.

CITY OF OCEANSIDE

By: _____
Name:
Title:

[ISSUER'S SIGNATURE PAGE SHADOW WAY APARTMENTS PROJECT TO FINANCING AGREEMENT]

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

By: _____

Name:

Title:

[TRUSTEE'S SIGNATURE PAGE SHADOW WAY APARTMENTS PROJECT TO FINANCING AGREEMENT]

Shadow Way Apartments, LP,
a California limited partnership

By: Western Community Housing, Inc.,
a California nonprofit public benefit corporation
Managing General Partner

By: _____
Name: _____
Title: _____

By: Shadow Way Holdings, LLC,
a Utah limited liability company
Administrative General Partner

By: _____
Name: _____
Title: _____

[BORROWER'S SIGNATURE PAGE SHADOW WAY APARTMENTS PROJECT TO
FINANCING AGREEMENT]

EXHIBIT A
FORM OF BOND MORTGAGE NOTE

CITY OF OCEANSIDE
VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS
(SHADOW WAY APARTMENTS PROJECT)
SERIES 2009

BOND MORTGAGE NOTE

US \$[15,000,000]

February __, 2009

FOR VALUE RECEIVED, the undersigned, Shadow Way Apartments, L.P. (the "Borrower"), promises to pay to the order of the The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and its assigns, the principal sum of Fifteen Million Dollars (US \$15,000,000), plus premium, if any, and interest thereon and to pay the other amounts owing from time to time hereunder, all as set forth below.

This Note is issued pursuant to that certain Financing Agreement dated as of February 1, 2009, among the City of Oceanside (the "Issuer"), the Trustee and the Borrower (together with any and all amendments, modifications, supplements and restatements, the "Financing Agreement") pursuant to which the Issuer has financed a mortgage loan in the principal amount of this Note from the Trustee to the Borrower (the "Bond Mortgage Loan"), and this Note is entitled to the benefits of the Financing Agreement and subject to the terms, conditions and provisions thereof. The Bond Mortgage Loan was funded with proceeds from the Issuer's \$15,000,000 City of Oceanside Variable Rate Demand Multifamily Housing Revenue Bonds (Shadow Way Apartments Project) Series 2009 (February 1, 2009, the "Bonds") issued pursuant to the Trust Indenture dated as of February 1, 2009 (the "Indenture"), between the Issuer and the Trustee.

1. **Defined Terms.** As used in this Note, (i) the term "Lender" means the holder of this Note, and (ii) the term "Indebtedness" means the principal of, premium, if any, and interest on or any other amounts due at any time under this Note. "Event of Default" and other capitalized terms used but not defined in this Note shall have the meanings given to such terms in the Financing Agreement or the Indenture.

2. **Payments of Principal and Interest.** The Borrower shall pay, not later than 12:00 a.m., Washington, D.C. time, on the first Business Day of each month commencing [____], 200__, interest on this Note in an amount equal to the accrued and unpaid interest on the Bonds during the prior month, and shall also pay in the event of an optional or mandatory prepayment of this Note with respect to a corresponding optional or mandatory redemption or purchase or acceleration of all or part of the Bonds, interest on this Note in an amount equal to the accrued and unpaid interest on such Bonds to the date of redemption, purchase or acceleration, as applicable. The Borrower shall pay the principal of this Note in full on _____ 1, 20__ (the "Maturity Date") or at such earlier times and in such amounts as may be required, in the event of an optional or mandatory prepayment of this Note with respect to a corresponding optional or mandatory redemption or purchase or acceleration of all or part of the Bonds, to pay the principal that equals the principal due with respect to the Bonds at such times.

The Borrower's repayment obligations under the Financing Agreement and this Note shall be reduced from time to time by and to the extent of any amounts drawn under the Credit Facility (as defined in the Indenture) and applied to the payment of debt service on the Bonds, provided that such reductions shall be credited only at the times and to the extent the Borrower has reimbursed the Credit Facility Provider (as defined in the Indenture) fully for such amounts. The outstanding principal hereof is subject to acceleration at the same time or times and under the same terms and conditions, and with the same notice, if any, as provided under the Indenture for the acceleration of payment of the Bonds. Notwithstanding anything to the contrary contained herein or the Financing Agreement, the payments in respect of the Bond Mortgage Loan evidenced hereby shall be sufficient to pay, when due (whether at stated maturity, upon redemption before maturity, upon acceleration of stated maturity, upon tender and purchase or otherwise), the principal of and premium, if any, and interest on the Bonds at any time outstanding.

3. **Payment of Fees and Expenses; Other Required Payments.** The Borrower shall also pay fees and expenses under Section 4.2 of the Financing Agreement, rebate amounts under Section 4.3 of the Financing Agreement, Principal Reserve Fund amounts under Section 4.6 of the Financing Agreement and indemnification-related amounts under Section 6.1 of the Financing Agreement, as well as any other amounts owed under the Financing Agreement, when due and in accordance with the terms and provisions set forth therein.

4. **Manner of Payment; Deficiencies.** All payments under this Note shall be made in lawful currency of the United States and in immediately available funds. The Borrower shall make its payments under this Note in Eligible Funds if and to the extent that the Indenture, the Financing Agreement or this Note requires such amount to be available to the Trustee in Eligible Funds. In the event of any deficiency in the funds available under the Indenture for payment of the principal of, premium, if any, or interest on the Bonds when due, the Borrower shall immediately pay the amount of the deficiency to the Trustee upon notice of the deficiency from the Issuer, the Servicer or the Trustee. The Borrower shall be obligated to pay the deficiency regardless of the reason for the deficiency, including any deficiency resulting from any shortfall in payments made or to be made by the Borrower under this Note, any loss due to a default under any investment held by the Trustee, a change in value of any such investment or otherwise.

5. **Application of Payments.** If at any time the Lender receives, from the Borrower or otherwise, any amount applicable to the Indebtedness which is less than all amounts due and payable at such time, the Lender may apply that payment to amounts then due and payable in any manner and in any order determined by the Lender, in the Lender's discretion. The Borrower agrees that neither the Lender's acceptance of a payment from the Borrower in an amount that is less than all amounts then due and payable nor the Lender's application of such payment shall constitute or be deemed to constitute either a waiver of the unpaid amounts or an accord and satisfaction.

6. **Security.** The Indebtedness is secured, among other things, by a multifamily deed of trust, assignment of rents and security agreement dated as of the date of this Note (the "Bond Mortgage"). Reference is made to the Bond Mortgage for other rights of the Lender as to collateral for the Indebtedness.

7. **Acceleration.** If an Event of Default has occurred and is continuing, the entire unpaid principal balance, any accrued interest, and all other amounts payable under this Note shall at once become due and payable, at the option of the Lender, as governed by the Indenture, without any prior notice to the Borrower. The Lender may exercise this option to accelerate regardless of any prior forbearance.

8. **Limits on Personal Liability.** Except as otherwise provided in Section 5.1 of the Financing Agreement, payments under this Note are a nonrecourse obligation of the Borrower and the Lender's only recourse for the satisfaction of the Indebtedness shall be the Lender's exercise of its rights and remedies with respect to the Project and any other collateral held by the Lender as security for the Indebtedness. This limitation on the Borrower's liability shall not limit or impair the Lender's enforcement of its rights against any guarantor of the Indebtedness or any guarantor of any obligations of the Borrower.

9. **Prepayment.** This Note is subject to prepayment as specified in the Financing Agreement and the Indenture.

10. **Costs and Expenses.** The Borrower shall pay all expenses and costs, including reasonable fees and out of pocket expenses of attorneys, and fees and out of pocket expenses of expert witnesses and costs of investigation, incurred by the Lender as a result of any default under this Note or in connection with efforts to collect any amount due under this Note, or to enforce the provisions of any of the other Bond Mortgage Loan Documents, including those incurred in post judgment collection efforts and in any bankruptcy proceeding (including any action for relief from the automatic stay of any bankruptcy proceeding) or judicial or nonjudicial foreclosure proceeding.

11. **Forbearance.** Any forbearance by the Lender in exercising any right or remedy under this Note any other document evidencing or securing the Bond Mortgage Loan or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of that or any other right or remedy. The acceptance by the Lender of any payment after the due date of such payment, or in an amount which is less than the required payment, shall not be a waiver of the Lender's right to require prompt payment when due of all other payments or to exercise any right or remedy with respect to any failure to make prompt payment. Enforcement by the Lender of any security for the Borrower's obligations under this Note shall not constitute an election by the Lender of remedies so as to preclude the exercise of any other right or remedy available to the Lender.

12. **Waivers.** Presentment, demand, notice of dishonor, protest, notice of acceleration, notice of intent to demand or accelerate payment or maturity, presentment for payment, notice of nonpayment, grace and diligence in collecting the Indebtedness are waived by the Borrower and all endorsers and guarantors of this Note and all other third party obligors.

13. **Loan Charges.** If any applicable law limiting the amount of interest or other charges permitted to be collected from the Borrower in connection with the Bond Mortgage Loan is interpreted so that any interest or other charge provided for herein or in any other document evidencing or securing the Bond Mortgage Loan, whether considered separately or together with other charges provided for in any such other document, violates that law, and the Borrower is

entitled to the benefit of that law, that interest or charge is hereby reduced to the extent necessary to eliminate that violation.

14. **Commercial Purpose.** The Borrower represents that the Indebtedness is being incurred by the Borrower solely for the purpose of carrying on a business or commercial enterprise, and not for personal, family or household purposes.

15. **Governing Law.** This Note shall be governed by the law of the State of California (the "Property Jurisdiction").

16. **Captions.** The captions of the paragraphs of this Note are for convenience only and shall be disregarded in construing this Note.

17. **Address for Payment.** All payments due under this Note shall be payable at The Bank of New York Mellon Trust Company, N.A., 601 Union Street, Suite 520, Seattle, Washington 98101-2321, Attention: _____, or such other place as may be designated by written notice to the Borrower from or on behalf of the Lender.

18. **Consent to Jurisdiction and Venue.** The Borrower agrees that any controversy arising under or in relation to this Note shall be litigated exclusively in the Property Jurisdiction in which the Project is located. The state and federal courts and authorities with jurisdiction in the Property Jurisdiction shall have exclusive jurisdiction over all controversies which shall arise under or in relation to this Note. The Borrower irrevocably consents to service, jurisdiction, and venue of such courts for any such litigation and waives any other venue to which it might be entitled by virtue of domicile, habitual residence or otherwise.

19. **Waiver of Trial by Jury.** EACH OF THE BORROWER AND THE LENDER (a) AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS NOTE OR THE RELATIONSHIP BETWEEN THE PARTIES AS THE LENDER AND THE BORROWER THAT IS TRIABLE OF RIGHT BY A JURY AND (b) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. EACH PARTY SEPARATELY GIVES THIS WAIVER OF RIGHT TO TRIAL BY JURY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.

20. **Assignment.** The Borrower acknowledges that this Note is being funded by the Issuer and made payable to the Trustee for the Bonds, and any rights of the Issuer herein have been assigned to the Trustee pursuant to the Indenture.

[Signature page follows]

IN WITNESS WHEREOF, the Borrower has signed and delivered this Note or has caused this Note to be signed and delivered by its duly authorized representative.

SHADOW WAY APARTMENTS, LP,
a California limited partnership

By: Western Community Housing, Inc.,
a California nonprofit public benefit corporation
Managing General Partner

By: _____
Name: _____
Title: _____

By: Shadow Way Holdings, LLC,
a Utah limited liability company
Administrative General Partner

By: _____
Name: _____
Title: _____

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Best Best & Krieger LLP
P.O. Box 1028
Riverside, California 92502-1028
Attention: John R. Rottschaefer, Esq.

**REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE
COVENANTS**

By and Among

CITY OF OCEANSIDE

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

and

SHADOW WAY APARTMENTS, LP

Dated as of February 1, 2009

Relating to

\$15,000,000

CITY OF OCEANSIDE

**VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS
(SHADOW WAY APARTMENTS PROJECT) Series 2009**

REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (as supplemented and amended from time to time, this “Regulatory Agreement”) is made and entered into as of February 1, 2009, by and among the CITY OF OCEANSIDE, a municipal corporation duly organized and existing under the laws of the State of California (together with any successor to its rights, duties and obligations, the “Issuer”), THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States (together with any successor in such capacity, the “Trustee”), in its capacity as trustee under the Indenture (as hereinafter defined), and SHADOW WAY APARTMENTS, LP, a California limited partnership organized and existing under the laws of the State of California (together with any successor to its rights, duties and obligations hereunder and as owner of the Project identified herein, the “Owner”).

WITNESSETH:

WHEREAS, pursuant to Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code (the “Housing Law”), the Issuer proposes to issue its Variable Rate Demand Multifamily Housing Revenue Bonds (Shadow Way Apartments Project) Series 2009 (the “Bonds”) under a Trust Indenture, dated as of February 1, 2009 (the “Indenture”), between the Issuer and the Trustee;

WHEREAS, the proceeds of the Bonds will be used to fund a loan to the Owner pursuant to a Financing Agreement among the Issuer, the Trustee and the Owner (as supplemented and amended from time to time, the “Financing Agreement”), that provides financing for the acquisition, rehabilitation and equipping of a multifamily rental housing project known as Shadow Way Apartments, located on the real property site described in Exhibit A hereto (as further described herein, the “Project”);

WHEREAS, in order to assure the Issuer and the owners of the Bonds that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”), and to satisfy the public purposes for which the Bonds are authorized to be issued under the Act, and to satisfy the purposes of the Issuer in determining to issue the Bonds, certain limits on the occupancy of units in the Project need to be established and certain other requirements need to be met;

NOW, THEREFORE, in consideration of the issuance of the Bonds by the Issuer and the mutual covenants and undertakings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Issuer, the Trustee and the Owner hereby agree as follows:

Section 1. Definitions and Interpretation. Unless the context otherwise requires, the capitalized terms used herein shall have the respective meanings assigned to them in the recitals hereto, in this Section 1 or in Section 1.01 of the Indenture.

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

“Adjusted Income” means the adjusted income of a person (together with the adjusted income of all persons who intend to reside with such person in one residential unit) as calculated in the manner prescribed in Regulations Section 1.167(k)-3(b)(3) in effect as of the Closing Date.

“Administrator” means any administrator or program monitor appointed by the Issuer to administer this Regulatory Agreement, and any successor administrator appointed by the Issuer, in each case pursuant to a certificate in substantially the form attached hereto as Exhibit E. The initial Administrator shall be the Issuer or its designee.

“Area” means the San Diego Metropolitan Statistical Area.

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

“Certificate of Continuing Program Compliance” means the Certificate to be filed by the Owner with the Administrator, on behalf of the Issuer, and the Trustee pursuant to Section 4(e) hereof, which shall be substantially in the form attached as Exhibit C hereto or in such other comparable form as may be provided by the Issuer to the Owner.

“City” means the City of Oceanside, California.

“Closing Date” means the date the Bonds are issued and delivered to the initial purchasers thereof.

“Completion Certificate” means the certificate of Project completion in substantially the form attached to this Regulatory Agreement as Exhibit D.

“Freddie Mac Rider” means the Freddie Mac Rider attached hereto as Exhibit G.

“Housing Law” means Chapter 7 of Part 5 of Division 31 (commencing with Section 52075) of the California Health and Safety Code, as amended, or its successor.

“Income Certification” means a Verification of Income and an Occupancy Certificate in the form attached as Exhibit B hereto or in such other comparable form as may be provided by the Issuer to the Owner.

“Low Income Tenant” means any tenant whose Adjusted Income does not exceed limits determined in a manner consistent with determinations of low income families under Section 8 of the Act, provided that the percentage of median gross income that qualifies as low income hereunder shall be sixty percent (60%) of median gross income for the Area, with adjustments for family size. If all the occupants of a unit are students (as defined under Section 151(e)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, such occupants shall not qualify as Low Income Tenants.

“Low Income Units” means the units in the Project required to be rented, or held available for occupancy by, Low Income Tenants pursuant to Section 4(a) of this Regulatory Agreement.

“Project” means the 144-unit multifamily rental housing senior rental housing

development, located on the real property site described in Exhibit A hereto, consisting of those facilities, including real property, structures, buildings, fixtures or equipment situated thereon, as it may at any time exist, the acquisition and rehabilitation of which facilities is to be financed, in whole or in part, from the proceeds of the sale of the Bonds or the proceeds of any payment by the Owner pursuant to the Financing Agreement, and any real property, structures, buildings, fixtures or equipment acquired in substitution for, as a renewal or replacement of, or a modification or improvement to, all or any part of the facilities described in the Financing Agreement.

“Qualified Project Period” means subject to Section 4(g) hereof, the period beginning on the later of the Closing Date or the first day on which at least 10% of the units in the Project are first occupied, and ending on the later of the following:

- (A) the date which is fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied;
- (B) the first date on which no Tax-Exempt private activity bonds with respect to the Project are Outstanding;
- (C) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates; or
- (D) such later date as set forth in Section 7 of this Regulatory Agreement.

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

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

“Rental Payment” means the portion of a Low Income Tenant's or Very Low Income Tenant's monthly payment to Owner attributable to rental for the Low Income Unit and does not include the portion of any monthly payment attributable to food, service, care and supervision.

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

“Verification of Income” means a Verification of Income in the form attached as Exhibit B hereto or in such other comparable form as may be provided by the Issuer to the Owner.

“Very Low Income Tenant” means any tenant whose Adjusted Income does not exceed limits determined in a manner consistent with determinations of low income families under Section 8 of the Act, provided that the percentage of median gross income that qualifies as low income hereunder shall be fifty percent (50%) of median gross income for the Area, with adjustments for family size. If all the occupants of a unit are students (as defined under Section

151(e)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, such occupants shall not qualify as Very Low Income Tenants.

“Very Low Income Units” means the units in the Project required to be rented, or held available for occupancy by, Very Low Income Tenants pursuant to Section 6(a) of this Regulatory Agreement.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of any gender shall be construed to include each other gender when appropriate and words of the singular number shall be construed to include the plural number, and vice versa, when appropriate. This Regulatory Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only, and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

The parties to this Regulatory Agreement acknowledge that each party and their respective counsel have participated in the drafting and revision of this Regulatory Agreement. Accordingly, the parties agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Regulatory Agreement or any supplement or exhibit hereto.

Section 2. Representations, Covenants and Warranties of the Owner.

(a) The Owner hereby incorporates herein, as if set forth in full herein, each of the representations, covenants and warranties of the Owner contained in the Tax Certificate and the Financing Agreement relating to the Project.

(b) The Owner hereby represents and warrants that the Project is located entirely within the City.

(c) The Owner acknowledges, represents and warrants that it understands the nature and structure of the transactions contemplated by this Regulatory Agreement; that it is familiar with the provisions of all of the documents and instruments relating to the Bonds to which it is a party or of which it is a beneficiary; that it understands the financial and legal risks inherent in such transactions; and that it has not relied on the Issuer for any guidance or expertise in analyzing the financial or other consequences of such financing transactions or otherwise relied on the Issuer in any manner except to issue the Bonds in order to provide funds to assist the Owner in acquiring, constructing and developing the Project.

Section 3. Qualified Residential Rental Project. The Owner hereby acknowledges and agrees that the Project is to be owned, managed and operated as a “residential rental project” (within the meaning of Section 142(d) of the Code) for a term equal to the Qualified Project Period. To that end, and for the term of this Regulatory Agreement, the Owner hereby represents, covenants, warrants and agrees as follows:

(a) The Project will be acquired and operated for the purpose of providing multifamily residential rental property as defined in the Code and the Act. The Owner will own, manage and operate the Project as a project to provide multifamily residential rental property as defined in the Code and the Act comprised of a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities, in accordance with Section 142(d) of the Code, Section 1.103-8(b) of the Regulations and the provisions of the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time.

(b) All of the dwelling units in the Project will be similarly constructed units, and each dwelling unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a microwave oven, refrigerator and sink.

(c) In accordance with the Code, none of the dwelling units in the Project will at any time be utilized on a transient basis or rented for a period of less than 31 consecutive days, or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park; provided that the use of certain units for tenant guests on an intermittent basis shall not be considered transient use for purposes of this Regulatory Agreement.

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

(e) All of the dwelling units in the Project will be available for rental during the Qualified Project Period on a continuous basis to members of the general public, on a first-come, first-served basis, and the Owner will not give preference to any particular class or group in renting the dwelling units in the Project, except to the extent that dwelling units are required to be leased or rented to Low Income Tenants. Notwithstanding the foregoing, it is the intent of the Borrower to rent dwelling units to senior citizens.

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

(g) No dwelling unit in the Project shall be occupied by the Owner; provided, however, that if the Project contains five or more dwelling units, this provision shall not be construed to prohibit occupancy of not more than one dwelling unit by a resident manager or maintenance personnel any of whom may be the Owner.

Section 4. Low Income Tenants; Reporting Requirements. Pursuant to the requirements of the Code, the Owner hereby represents, warrants and covenants as follows:

(a) During the Qualified Project Period, not less than 90% of the completed units in the Project shall at all times be rented to, occupied by or made available to Low Income Tenants. For the purposes of this paragraph (a), 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, other than for a temporary period of not more than 31 days, at which time the character of such unit shall be redetermined.

(b) No tenant qualifying as a Low Income Tenant upon initial occupancy shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Adjusted Income increases to exceed the qualifying limit for Low Income Tenants. However, should a Low Income Tenant's Adjusted Income, as of the most recent determination thereof, exceed one hundred forty percent (140%) of the applicable income limit for a Low Income Tenant of the same family size, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) a Low Income Tenant. Until such next available unit is rented, the former Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a Low Income Tenant for purposes of the requirement of Section 4(a) hereof.

(c) For the Qualified Project Period, the Owner will obtain, complete and maintain on file Income Certifications for each Low Income Tenant, including (i) an Income Certification dated immediately prior to the initial occupancy of such Low Income Tenant in the Project, and (ii) thereafter, an annual Income Certification with respect to each Low Income Tenant, as of December 1st of each year, but, as the first such certification for each tenant, no more than one year after the anniversary of such tenant's initial occupancy of a unit in the Project. The Owner will provide such additional information as may be required in the future by the Code, the State or the Issuer, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to Tax-Exempt obligations. A copy of the most recent Income Certifications for Low Income Tenants commencing or continuing occupation of a Low Income Unit shall be attached to each report to be filed with the Issuer pursuant to paragraph (e) of this Section 4.

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

(d) The Owner will maintain complete and accurate records pertaining to the Low Income Units, and will permit, upon reasonable notice to Owner during regular business hours, any duly authorized representative of the Issuer, the Trustee, the Credit Facility Provider, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Owner pertaining to the Project, including those records pertaining to the occupancy of the Low Income Units.

(e) The Owner will prepare and submit to the Administrator, on behalf of the Issuer, monthly (commencing the tenth day of the full month following the Completion Date), up to and including the month in which 20% of the units are actually occupied by Low Income Tenants, and thereafter no later than the tenth day of the first month of each calendar quarter for the immediately preceding calendar quarter, until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance executed by the Owner. During the Qualified Project Period, the Owner shall submit a completed Internal Revenue Code Form 8703 or such other annual certification as required by the Code with respect to the Project, to the Secretary of the Treasury on or before March 31 of each year (or such other date as may be required by the Code).

(f) For the Qualified Project Period, all tenant leases or rental agreements shall be subordinate to this Regulatory Agreement and the Mortgage. All leases pertaining to Low Income Units shall contain clauses, among others, wherein each tenant who occupies a Low Income Unit: (i) certifies the accuracy of the statements made in the Verification of Income; (ii) agrees that the family income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy of such tenant, that such tenant will comply promptly with all requests for information with respect thereto from the Owner, the Trustee, the Issuer, the Credit Facility Provider or the Administrator on behalf of the Issuer, and that the failure to provide accurate information in the Verification of Income or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the tenancy of such tenant; (iii) acknowledges that the Owner has relied on the Verification of Income and supporting information supplied by the Low Income Tenant in determining qualification for occupancy of the Low Income Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement; and (iv) agrees that the tenant's income is subject to annual certification in accordance with Section 4(c) and that if upon any such certification such tenant's Adjusted Income exceeds the applicable income limit under Section 4(b), such tenant may cease to qualify as a Low Income Tenant.

(g) Notwithstanding the foregoing provisions of Section 4(a) and Section 6(a) and in accordance with Internal Revenue Bulletin 2004-29 dated July 19, 2004, for a period of 12 months beginning on the Closing Date (the "Transition Period") the failure to satisfy the provisions of this Section 4 will not cause the Project to be in default with respect to this Regulatory Agreement. Upon the termination of the Transition Period and throughout the remaining term of the Qualified Project Period, the Project shall be in compliance with Section 4(a) and Section 6(a).

Section 5. Tax-Exempt Status of Bonds. The Owner and the Issuer, as applicable, each hereby represents, warrants and agrees as follows:

(a) The Owner and the Issuer will not knowingly take or permit, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the Tax-Exempt nature of the interest on the Bonds and, if either of them should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof.

(b) The Owner and the Issuer will file of record such documents and take such other steps as are necessary, in the written opinion of Bond Counsel filed with the Issuer and the

Trustee (with a copy to the Owner), in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of this Regulatory Agreement in the real property records of the County of San Diego.

Section 6. Additional Requirements of the Housing Law. In addition to the requirements set forth above, the Owner hereby agrees that it shall comply with each of the following requirements, including the requirements of Section 52080 of the Housing Law:

(a) Not less than 10% of the total number of units in the Project shall be available for occupancy on a priority basis to Very Low Income Tenants. The units made available to meet this requirement shall be of comparable quality and offer a range of sizes and numbers of bedrooms comparable to the units that are available to other tenants in the Project.

(b) The Rental Payments for the Low Income Units and the Very Low Income Units paid by the tenants thereof (excluding any supplemental rental assistance from the State, the federal government or any other public agency to those tenants or on behalf of those units) shall not exceed 30% of an amount equal to 50% of the median adjusted gross income for the Area adjusted for family size for the Very-Low Income Units and 30% of an amount equal to 60% of the media adjusted gross income for the Area adjusted for family size for Low Income Units.

(c) The Owner shall accept as tenants, on the same basis as all other prospective tenants, low-income persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the Act. The Owner shall not permit any selection criteria to be applied to Section 8 certificate or voucher holders that is more burdensome than the criteria applied to all other prospective tenants.

(d) The units reserved for occupancy as required by subsection (a) of this Section shall remain available on a priority basis for occupancy at all times on and after the Closing Date and continuing through the Qualified Project Period.

(e) During the three (3) years prior to the expiration of the Qualified Project Period, the Owner shall continue to make available to eligible households Low Income Units that have been vacated to the same extent that nonreserved units are made available to noneligible households.

(f) Following the expiration or termination of the Qualified Project Period, except in the event of foreclosure and redemption of the Bonds, deed in lieu of foreclosure, eminent domain, or action of a federal agency preventing enforcement, units reserved for occupancy as required by subsection (a) of this Section shall remain available to any eligible tenant occupying a reserved unit at the date of such expiration or termination, at the rent determined by subsection (b) of this Section, until the earliest of (1) the household's income exceeds 140% of the maximum eligible income specified above, (2) the household voluntarily moves or is evicted for good cause (as defined in the Act), (3) 30 years after the date of the commencement of the Qualified Project Period, or (4) the Owner pays the relocation assistance and benefits to households as provided in Section 7264(b) of the California Government Code.

(g) The covenants and conditions of this Regulatory Agreement shall be binding upon successors in interest of the Owner.

(h) This Regulatory Agreement shall be recorded in the office of the county recorder of the County of San Diego, California, and shall be recorded in the grantor-grantee index to the names of the Owner as grantor and to the name of the Issuer as grantee.

Section 7. Additional Requirements of the Issuer. In addition to the requirements set forth above and to the extent not prohibited thereby, the Owner hereby agrees to comply with each of the requirements of the Issuer set forth in this Section 7, as follows:

(a) Except if waived in writing by CDLAC and the Issuer or otherwise to the extent set forth in the second paragraph of Section 13 of this Regulatory Agreement this Regulatory Agreement shall terminate on the date fifty-five years after the Closing Date.

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

(c) The Owner acknowledges that the Issuer has appointed the Administrator to administer this Regulatory Agreement and to monitor performance by the Owner of the terms, provisions and requirements hereof. In such an event the Owner shall comply with any reasonable request made by the Administrator or the Issuer to deliver to any such Administrator, in addition to or instead of the Issuer, any reports, notices or other documents required to be delivered pursuant hereto, and to make the Project and the books and records with respect thereto available for inspection by the Administrator as an agent of the Issuer during regular business hours and upon reasonable advance notice. In the event the Issuer shall not appoint an Administrator other than the Issuer, all references to the Administrator in this Regulatory Agreement shall be deemed to refer to the Issuer. The reasonable fees and expenses of the Administrator shall be paid by the Owner.

(d) For purposes of Section 6(b), the base rents shall be adjusted for household size, to the extent permitted by law, and in making such adjustments it shall be assumed that one person will occupy a studio unit, two persons will occupy a one bedroom unit, three persons will occupy a two bedroom unit, four persons will occupy a three bedroom unit and five persons will occupy a four bedroom unit.

(e) The Owner shall comply with the conditions set forth in Exhibit A to CDLAC Resolution No. ____ adopted on December __, 2008 (the "CDLAC Conditions"), as they may be modified or amended from time to time, which conditions are incorporated herein by reference and attached hereto as Exhibit F. The Owner will prepare and submit to CDLAC, not later than each anniversary of the Closing Date, until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance, in substantially the form attached to the CDLAC Conditions, executed by an authorized representative of the Owner. The Issuer and the Administrator shall have no obligation to monitor the Owner's compliance with the CDLAC Conditions.

(f) The Owner shall provide the Issuer copies of all disclosure reports with respect to the Bonds and all rebate calculations required to be made under the Financing Agreement or the Indenture.

Any of the foregoing requirements of the Issuer (except (a) and (f) above, which may be expressly waived by CDLAC) may be expressly waived by the Issuer, in its sole discretion, in writing, but (i) no waiver by the Issuer of any requirement of this Section 7 shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement except to the extent the Issuer has received an opinion of Bond Counsel that any such provision is not required by the Act and may be waived without adversely affecting the exclusion from gross income of interest on the Bonds for federal income tax purposes; and (ii) any requirement of this Section 7 shall be void and of no force and effect if the Issuer and the Owner receive a written opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Bonds to cease to be Tax-Exempt or to the effect that compliance with such requirement would be in conflict with the Act or any other state or federal law.

Section 8. Modification of Covenants. The Owner, the Trustee and the Issuer hereby agree as follows:

(a) To the extent any amendments to the Act, the Regulations or the Code shall, in the written opinion of Bond Counsel filed with the Issuer, the Trustee and the Owner, impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Regulatory Agreement, and if such requirements are applicable to the Project, this Regulatory Agreement shall be deemed to be automatically amended to impose such additional or more restrictive requirements, which amendment shall be binding upon Owner as of the date such opinion is received by Owner.

(b) To the extent that the Housing Law, the Regulations or the Code, or any amendments thereto, shall, in the written opinion of Bond Counsel filed with the Issuer, the Trustee and the Owner, impose requirements upon the ownership or operation of the Project less restrictive than imposed by this Regulatory Agreement, this Regulatory Agreement may be amended or modified to provide such less restrictive requirements but only by written amendment signed by the Issuer, at its sole discretion, the Trustee and the Owner, and only upon receipt by the Issuer of the written opinion of Bond Counsel to the effect that such amendment will not affect the Tax-Exempt status of interest on the Bonds or violate the requirements of the Housing Law, and otherwise in accordance with Section 22 hereof.

(c) The Owner, the Issuer and, if applicable, the Trustee, shall execute, deliver and, if applicable, file of record any and all documents and instruments necessary to effectuate the intent of this Section 8, and each of the Owner and the Issuer hereby appoints the Trustee as its true and lawful attorney-in-fact to execute, deliver and, if applicable, file of record on behalf of the Owner or the Issuer, as applicable, any such document or instrument (in such form as may be approved in writing by Bond Counsel) if either the Owner or the Issuer defaults in the performance of its obligations under this subsection (c); provided, however, that unless directed in writing by the Issuer or the Owner, the Trustee shall take no action under this subsection without first notifying the Owner or the Issuer, or both of them, and without first providing the Owner or the Issuer, or both thirty (30) days (or such longer period as the Trustee may determine is necessary) to comply with the requirements of this Section 8. Nothing in this subsection (c) shall be construed to allow the Trustee to execute an amendment to this Regulatory Agreement

on behalf of the Issuer or the Owner; however, if the Issuer executes an amendment to this Regulatory Agreement, the Trustee shall also execute such amendment unless in the reasonable opinion of a Trustee or its counsel, such execution shall adversely affect the interests of such Trustee or the Bondholders for whom such Trustee acts.

Section 9. Indemnification; Other Payments. The Owner hereby covenants and agrees that it shall indemnify and hold harmless the Issuer and the Trustee and their respective officers, members, directors, officials, employees, program participants and agents as set forth in the Financing Agreement, notwithstanding any future termination of the Financing Agreement. In addition thereto, the Owner will pay upon demand all of the reasonable fees and expenses paid or incurred by the Trustee and/or the Issuer in enforcing the provisions hereof, as more fully set forth in the Financing Agreement.

The provisions of this Section 9 shall survive the term of the Bonds and this Regulatory Agreement and the termination of the Financing Agreement; provided, however, the provisions of this Section shall, in the case of the Trustee, survive the term of this Regulatory Agreement or the resignation or removal of the Trustee, but only as to claims arising from events occurring during the term of this Regulatory Agreement or the Trustee's tenure as Trustee under the Indenture, and shall, in the case of the Issuer, survive the term of this Agreement, but only as to claims arising from events occurring during the term of this Regulatory Agreement; and provided, further, that any time the Credit Facility Provider is the Owner for purposes of this Regulatory Agreement, the Credit Facility Provider shall have no obligations to indemnify the Trustee, its affiliates, employees or agents.

Section 10. Consideration. The Issuer has agreed to issue the Bonds to provide funds to lend to the Owner to finance the Project, all for the purpose, among others, of inducing the Owner to acquire, rehabilitate and operate the Project. In consideration of the issuance of the Bonds by the Issuer, the Owner has entered into this Regulatory Agreement and has agreed to restrict the uses to which this Project can be put on the terms and conditions set forth herein.

Section 11. Reliance. The Issuer and the Owner hereby recognize and agree that the representations and covenants set forth herein may be relied upon by all persons interested in the legality and validity of the Bonds, in the exemption from California personal income taxation of interest on the Bonds and in the Tax-Exempt status of the interest on the Bonds. In performing their duties and obligations hereunder, the Issuer, the Administrator and the Trustee may rely upon statements and certificates of the Low Income Tenants and Very Low Income Tenants, and upon audits of the books and records of the Owner pertaining to the Project. In addition, the Issuer and the Trustee may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Issuer or the Trustee hereunder in good faith and in conformity with such opinion. In determining whether any default or lack of compliance by the Owner exists under this Regulatory Agreement, the Trustee shall not be required to conduct any investigation into or review of the operations or records of the Owner and may rely solely on any written notice or certificate delivered to the Trustee by the Owner or the Issuer with respect to the occurrence or absence of a default.

Section 12. Sale or Transfer of the Project. For the Qualified Project Period, the Owner shall not, except as provided in the Mortgage and as set forth below, sell, transfer or otherwise dispose of the Project, in whole or in part, without the prior written consent of the

Issuer, which consent shall not be unreasonably withheld, conditioned or delayed if the following conditions are satisfied: (A) the receipt by the Issuer of evidence acceptable to the Issuer that (1) the Owner shall not be in default hereunder or under the Financing Agreement, if in effect (which may be evidenced by a Certificate of Continuing Program Compliance), or the purchaser or assignee undertakes to cure any defaults of the Owner to the reasonable satisfaction of the Issuer; (2) the continued operation of the Project shall comply with the provisions of this Regulatory Agreement; (3) either (a) the purchaser or assignee or its property manager has at least three years' experience in the ownership, operation and management of similar size rental housing projects, and at least one year's experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects, or (b) the purchaser or assignee agrees to retain a property management firm with the experience and record described in subclause (a) above, or (c) the transferring Owner or its management company will continue to manage the Project for at least one year following such transfer and during such period will provide training to the transferee and its manager in the responsibilities relating to the Low Income Units; and (4) the person or entity which is to acquire the Project does not have pending against it, and does not have a history of significant and material building code violations or complaints concerning the maintenance, upkeep, operation, and regulatory agreement compliance of any of its projects as identified by any local, state or federal regulatory agencies; (B) the execution by the purchaser or assignee of any document reasonably requested by the Issuer or the Trustee with respect to the assumption of the Owner's obligations under this Regulatory Agreement and the Financing Agreement (if then in effect), including without limitation an instrument of assumption hereof and thereof, and delivery to the Issuer of an opinion of such purchaser or assignee's counsel to the effect that each such document and this Regulatory Agreement are valid, binding and enforceable obligations of such purchaser or assignee, subject to bankruptcy and other standard limitations affecting creditor's rights; (C) receipt by the Issuer of an opinion of Bond Counsel addressed to the Issuer to the effect that any such sale, transfer or other disposition will not adversely affect the Tax-Exempt status of interest on the Bonds; and (D) receipt by the Issuer and Trustee of all fees and/or expenses then currently due and payable to the Issuer and Trustee by the Owner. The foregoing notwithstanding, the Project may be transferred to (y) a wholly-owned subsidiary or related entity of the Owner (with an opinion of Bond Counsel to the effect that such transfer would not impair the tax-exempt status of the Bonds) or (z) Credit Facility Provider or Trustee pursuant to a foreclosure, deed in lieu of foreclosure or comparable conversion under the Bond Mortgage or the deed of trust that secures the obligations of the Owner to the Credit Facility Provider under the Reimbursement Agreement (collectively, the "Permitted Mortgages"), in each case, without the consent of the Issuer. It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this Section 12 shall be null, void and without effect, shall cause a reversion of title to the Owner, and shall be ineffective to relieve the Owner of its obligations under this Regulatory Agreement. The written consent of the Issuer to any transfer of the Project shall constitute conclusive evidence that the transfer is not in violation of this Section 12. Nothing in this Section shall affect any provision of any other document or instrument between the Owner and any other party requires the Owner to satisfy certain conditions or obtain the prior written consent of such other party in order to sell, transfer or otherwise dispose of the Project. Upon any sale or other transfer that complies with this Regulatory Agreement, the Owner shall be fully released from its obligations hereunder to the extent such obligations have been fully assumed in writing by the transferee of the Project.

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

Notwithstanding anything in this Section 12 to the contrary, the Owner shall have the right to enter into management agreements or operating leases with respect to the management and operation of the Project; provided that the terms of such management contract or operating lease shall require operation of the Project in accordance with the provisions of this Regulatory Agreement.

Section 13. Term. This Regulatory Agreement and all and several of the terms hereof shall become effective upon its execution and delivery, and shall remain in full force and effect for the period provided herein and shall terminate as to any provision not otherwise provided with a specific termination date and shall terminate in its entirety at the end of the Qualified Project Period, it being expressly agreed and understood that the provisions hereof are intended to survive the early retirement of the Bonds and discharge of the Indenture and the Loan Agreement.

The terms of this Regulatory Agreement to the contrary notwithstanding, this Regulatory Agreement shall terminate and be of no further force and effect in the event of involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire, seizure, requisition, change in a federal law or an action of a federal agency after the Closing Date that prevents the Issuer and the Trustee from enforcing such provisions, or foreclosure or transfer of title by deed in lieu of foreclosure, condemnation or a similar event, but only if, within a reasonable period, either the Bonds are retired or amounts received as a consequence of such event are used to provide a project that meets the requirements hereof; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Owner or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income tax purposes. The Owner hereby agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Owner nor any such related person as described above will obtain an ownership interest in the Project for federal tax purposes. Notwithstanding any other provision of this Regulatory Agreement, this Regulatory Agreement may be terminated upon agreement by the Issuer, the Trustee and the Owner upon receipt by the Issuer and the Trustee of an opinion of Bond Counsel to the effect that such termination will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. Upon the termination of

the terms of this Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms.

Section 14. Covenants to Run with the Land. Notwithstanding Section 1461 of the California Civil Code, the Owner hereby subjects the Project to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Issuer and the Owner hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Owner's successors in title to the Project; provided, however, that on the termination of this Regulatory Agreement said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

Section 15. Burden and Benefit. The Issuer and the Owner hereby declare their understanding and intent that the burdens of the covenants set forth herein touch and concern the land in that the Owner's legal interest in the Project is rendered less valuable thereby. The Issuer and the Owner hereby further declare their understanding and intent that the benefits of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Low Income Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Bonds were issued.

Section 16. Uniformity; Common Plan. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use of the site on which the Project is located.

Section 17. Default; Enforcement. If the Owner defaults in the performance or observance of any covenant, agreement or obligation of the Owner set forth in this Regulatory Agreement, and if such default remains uncured for a period of 60 days after notice thereof shall have been given by the Issuer or either Trustee to the Owner, or for a period of 60 days from the date the Owner should, with reasonable diligence, have discovered such default, then the Issuer or the Trustee (as directed by the Issuer, subject to the provisions of the Indenture) acting on their own behalf or on behalf of the Issuer, shall declare an "Event of Default" to have occurred hereunder; provided, however, that if the default is of such a nature that it cannot be corrected within 60 days, such default shall not constitute an Event of Default hereunder so long as (i) the Owner institutes corrective action within said 60 days and diligently pursues such action until the default is corrected, and (ii) in the opinion of Bond Counsel, the failure to cure said default within 60 days will not adversely affect the Tax-Exempt status of interest on the Bonds. The Issuer and the Trustee shall have the right to enforce the obligations of the Owner under this Regulatory Agreement within shorter periods of time than are otherwise provided herein if necessary to insure compliance with the Housing Law or the Code. Notwithstanding the provisions of this Section 17, any general or limited partner of the Owner shall also have the right to cure any default within the 60 day period referenced in this Section 17.

Following the declaration of an Event of Default hereunder, the Issuer or the Trustee, at

the direction of the Issuer, subject to the provisions of the Indenture, may take any one or more of the following steps, in addition to all other remedies provided by law or equity:

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

(ii) upon reasonable notice to the Owner during regular business hours, have access to and inspect, examine and make copies of all of the books and records of the Owner pertaining to the Project;

(iii) require the Owner to pay to the Issuer an amount equal to the excess rent or other amounts received by the Owner for any units in the Project which were in violation of this Regulatory Agreement during the period such violation continued (which payment shall not reduce the amount nor affect any payment due under the Loan);

(iv) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Owner hereunder; and

(v) subject to the Intercreditor Agreement and the Subordination Agreement, as applicable, declare a default under the Financing Agreement and proceed with any remedies provided therein.

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

The Trustee shall have the right, in accordance with this Section and the applicable provisions of the Indenture, without the consent or approval of the Issuer, to exercise any or all of the rights or remedies of the Issuer hereunder; provided that prior to taking any such action the Trustee shall give the Issuer and the Credit Facility Provider written notice of its intended action. After the Indenture has been discharged, the Issuer may act on its own behalf to declare an "Event of Default" to have occurred and to take any one or more of the steps specified hereinabove to the same extent and with the same effect as if taken by the Trustee.

Promptly upon determining that a violation of this Regulatory Agreement has occurred, the Issuer or the Trustee shall, by written notice, inform the Credit Facility Provider that such violation has occurred, the nature of the violation and that the violation has been cured or has not been cured, but is curable within a reasonable period of time, or is incurable. The Trustee shall not be deemed to have knowledge of any default hereunder unless the Trustee shall have been specifically notified in writing of such default by the Issuer, the Administrator or the Bondholders of at least 25% of the aggregate principal amount of the Bonds outstanding under either Indenture.

All reasonable fees, costs and expenses of the Trustee and the Issuer incurred in taking any action pursuant to this Section shall be the sole responsibility of the Owner; provided,

however, that in the event that any action arising hereunder with the Owner and the Trustee as adversaries, the prevailing party, if any, shall be entitled to recover legal fees and costs from the other party.

No breach of any provision of this Regulatory Agreement shall defeat, render invalid or otherwise affect the lien of a deed of trust, mortgage or like encumbrance on the Project that is given in good faith and for value.

Section 18. The Trustee. The Trustee shall act as specifically provided herein and in the Indenture, as applicable, and may exercise such additional powers as are reasonably incidental hereto and thereto. The Trustee shall have no duty to act with respect to enforcement of the Owner's performance hereunder as described in Section 17 unless it shall have knowledge of any such default as provided in Section 17. The Trustee may act as the agent of and on behalf of the Issuer, and any act required to be performed by the Issuer as herein provided shall be deemed taken if such act is performed by the Trustee. In connection with any such performance, the Trustee is acting solely as Trustee under the Indenture and not in its individual capacity, and, except as expressly provided herein, all provisions of the Indenture relating to the rights, privileges, powers and protections of the Trustee, shall apply, as the case may be, with equal force and effect to all actions taken (or omitted to be taken) by the Trustee in connection with this Regulatory Agreement. Neither the Trustee nor any of its officers, directors or employees shall be liable for any action taken or omitted to be taken by them hereunder or in connection herewith except for their own negligence or willful misconduct.

The Issuer shall be (or shall cause the Administrator to be) responsible for the monitoring of the Owner's compliance with the terms of this Regulatory Agreement. The Trustee shall not be responsible for such monitoring.

After the date on which no Bonds remain Outstanding, as provided in the Indenture, the Trustee shall no longer have any duties or responsibilities under this Regulatory Agreement and all references to the Trustee in this Regulatory Agreement shall be deemed references to the Issuer.

Section 19. Recording and Filing.

(a) The Owner shall cause this Regulatory Agreement and all amendments and supplements hereto and thereto, to be recorded and filed in the real property records of the County of San Diego, California, and in such other places as the Issuer or the Trustee may reasonably request. The Owner shall pay all fees and charges incurred in connection with any such recording.

(b) The Owner and the Issuer will file of record such other documents and take such other steps as are reasonably necessary, in the opinion of Bond Counsel, in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project.

(c) The Owner hereby covenants to include or reference the requirements and restrictions contained in this Regulatory Agreement in any documents transferring any interest in the Project to another person to the end that such transferee has notice of, and is bound by, such restrictions, and, except in the case of a foreclosure or comparable involuntary conversion of the

Mortgage, whereby the Trustee or the Credit Facility Provider becomes the owner of the Project, to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement.

Section 20. Payment of Fees. Notwithstanding any prepayment of the Loan or discharge of the Indenture, the Owner shall continue to pay the Issuer's annual fee in the amount of \$_____ per year (as defined in the Indenture, the "Issuer's Fee"), in advance, on the Closing Date and thereafter in equal semiannual installments in the amount of \$_____, and on each February 1 and August 1 thereafter until the end of the Qualified Project Period.

In the event that the principal of and the interest on the Bonds are paid in full and the Indenture is discharged prior to the termination of this Regulatory Agreement (other than by reason of the issuance of refunding bonds), and provided that the conditions of this Section are satisfied, the Owner shall thereafter and for the remainder of the Qualified Project Period pay to the Issuer annually in advance an amount equal to the sum of (i) the Issuer's out-of-pocket expenses incurred in connection with monitoring the affordability requirements set forth in this Regulatory Agreement and (ii) an annual administrative fee of \$3,000, such amount to be subject to adjustment from time to time by, and at the sole discretion of, the Issuer (together, the "Reduced Issuer's Fee").

The Reduced Issuer's Fee shall become effective only with consent of the Issuer upon its receipt of (a) all amounts then due and payable in arrears by the Owner to the Issuer in connection with the Bonds and (b) if the Bonds are retired before the first date fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied, an amount equal to four years' payment of the Reduced Issuer's Fee or, if the Bonds are retired after such date but before the end of the Qualified Project Period, an amount equal to two years' payment of the Reduced Issuer's Fee, in each case as calculated by the Issuer at the time the Bonds are retired. In no event shall the Reduced Issuer's Fee exceed the original Issuer's Fee.

Section 21. Governing Law. This Regulatory Agreement shall be governed by the laws of the State of California.

Section 22. Amendments; Waivers.

(a) Except as provided in Section 8(a) hereof, this Regulatory Agreement may be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the County of San Diego, California, and only upon receipt by the Issuer of (i) an opinion from Bond Counsel that such amendment will not adversely affect the Tax-Exempt status of interest on the Bonds and is not contrary to the provisions of the Act, (ii) the written consent of the Credit Facility Provider.

(b) Anything to the contrary contained herein notwithstanding, the Issuer, the Trustee and the Owner hereby agree to amend this Regulatory Agreement to the extent required, in the opinion of Bond Counsel, in order that interest on the Bonds remains Tax-Exempt. The parties requesting such amendment shall notify the other parties to this Regulatory Agreement and the Credit Facility Provider of the proposed amendment, with a copy of such proposed amendment to Bond Counsel and a request that Bond Counsel render to the Issuer an opinion as to the effect of such proposed amendment upon the Tax-Exempt status of interest on the Bonds.

This provision shall not be subject to any provision of any other agreement requiring any party hereto to obtain the consent of any other person in order to amend this Regulatory Agreement.

(c) Any waiver of, or consent to, any condition under this Regulatory Agreement must be expressly made in writing.

Section 23. Notices. Any notice required to be given hereunder shall be made in writing and shall be given by personal delivery, overnight delivery, certified or registered mail, postage prepaid, return receipt requested, or by telecopy, in each case at the respective addresses specified in the Indenture or the Financing Agreement, or at such other addresses as may be specified in writing by the parties hereto. Unless otherwise specified by the Administrator, the address of the Administrator is: City of Oceanside, 321 N. Nevada Street, Oceanside, California 92054 Attention: Director of Housing and Neighborhood Services.

The Issuer, the Administrator, the Trustee, the Credit Facility Provider and the Owner may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Notice shall be deemed given on the date evidenced by the postal or courier receipt or other written evidence of delivery or electronic transmission; provided that any telecopy or other electronic transmission received by any party after 4:00 p.m., local time of the receiving party, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day.

A copy of each notice sent by or to the Owner shall also be sent to the Credit Facility Provider and the manager of the Project at the address of the manager provided by the Owner to the Administrator; but such copies shall not constitute notice to the Owner, nor shall any failure to send such copies constitute a breach of this Regulatory Agreement or a failure of or defect in notice to the Owner.

Section 24. Severability. If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

Section 25. Multiple Counterparts. This Regulatory Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Section 26. Limitation on Liability. Notwithstanding the foregoing or any other provision or obligation to the contrary contained in this Regulatory Agreement, (i) the liability of the Owner under this Regulatory Agreement to any person or entity, including, but not limited to, the Trustee or the Issuer and their successors and assigns, is limited to the Owner's interest in the Project, the Revenues and the amounts held in the funds and accounts created under the Indenture, or any rights of the Owner under any guarantees relating to the Project, and such persons and entities shall look exclusively thereto, or to such other security as may from time to time be given for the payment of obligations arising out of this Regulatory Agreement or any other agreement securing the obligations of the Owner under this Regulatory Agreement; and (ii) from and after the date of this Regulatory Agreement, no deficiency or other personal judgment, nor any order or decree of specific performance (other than pertaining to this Regulatory Agreement, any agreement pertaining to any Project or any other agreement securing the Owner's obligations under this Regulatory Agreement), shall be rendered against the Owner,

the assets of the Owner (other than the Owner's interest in the Project, this Regulatory Agreement, amounts held in the funds and accounts created under the Indenture, any rights of the Owner under the Indenture or any other documents relating to the Bonds or any rights of the Owner under any guarantees relating to the Project), its partners, members, successors, transferees or assigns and each their respective officers, directors, employees, partners, agents, heirs and personal representatives, as the case may be, in any action or proceeding arising out of this Regulatory Agreement and the Indenture or any agreement securing the obligations of the Owner under this Regulatory Agreement, or any judgment, order or decree rendered pursuant to any such action or proceeding, except to the extent provided in the Financing Agreement.

Section 27. Third-Party Beneficiary. There shall be no third party beneficiaries to this Regulatory Agreement other than the Credit Facility Provider and CDLAC. The Credit Facility Provider and CDLAC are intended to be and shall each be a third-party beneficiary of this Regulatory Agreement. The City shall have the right (but not the obligation) to enforce, separately or jointly with the Issuer and/or the Trustee or to cause the Issuer or the Trustee to enforce, Sections 6(b) and 7(e), (f) and (g) of this Regulatory Agreement and to pursue an action for specific performance or other available remedy at law or in equity in accordance with Section 17 hereof; and CDLAC shall have the right (but not the obligation) to enforce the CDLAC Conditions and to pursue an action for specific performance or other available remedy at law or in equity in accordance with Section 17 hereof; provided that any such action by the City or CDLAC or remedy shall not materially adversely affect the interests and rights of the Bondholders.

Section 28. Freddie Mac Rider. During any period that the Federal Home Loan Mortgage Corporation ("Freddie Mac") is the Credit Facility Provider for the Bonds, the Freddie Mac Rider attached hereto as Exhibit G and made a part of this Regulatory Agreement by reference hereto, shall be in full force and effect.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the Issuer, the Trustee and the Owner have executed this Regulatory Agreement by duly authorized representatives, all as of the date first above written.

CITY OF OCEANSIDE

By: _____
Title: _____

ATTEST

City Clerk

[SIGNATURES CONTINUED ON FOLLOWING PAGES]

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

By: _____
Authorized Signatory:

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

SHADOW WAY APARTMENTS, LP
a California limited partnership

By:

By: _____

Shadow Way Apartments, LP,
a California limited partnership

By: Western Community Housing, Inc.,
a California nonprofit public benefit corporation
Managing General Partner

By: _____
Name: _____
Title: _____

By: Shadow Way Holdings, LLC,
a Utah limited liability company
Administrative General Partner

By: _____
Name: _____
Title: _____

STATE OF CALIFORNIA)
)
COUNTY OF)

On _____ before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary

(Seal)

STATE OF CALIFORNIA)
)
COUNTY OF)

On _____ before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary

(Seal)

STATE OF CALIFORNIA)
)
COUNTY OF)

On _____ before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary

(Seal)

EXHIBIT A

DESCRIPTION OF REAL PROPERTY

All of that certain property located in the County of San Diego, State of California, and more particularly described as follows:

Lots 1 and 2 of Murray Mission Unit No. 10 in the City of Oceanside, County of San Diego, State of California, according to Map thereof No. 11270, filed in the Office of the County Recorder of San Diego County on June 28, 1985.

EXHIBIT B

[FORM OF INCOME CERTIFICATION]

VERIFICATION OF INCOME

RE: [Project Name]
[Address of Project]
Apartment Number: _____.
Initial Occupancy Date: _____.

I/We, the undersigned, being first duly sworn, state that I/we have read and answered fully, and truthfully each of the following questions for all persons who are to occupy the unit in the above apartment development for which application is made, all of whom are listed below:

1. Name of Members of the Household	2. Relationship to Head of Household	3. Age	4. Social Security Number	5. Place of Employment
	Head of Household			
	Spouse			

6. The anticipated income of all the above persons during the 12-month period beginning this date, including income described in (a) below, but excluding all income described in (b) below, is \$_____.

(a) The amount set forth above includes all of the following income (unless such income is described in (b) below):

(i) all wages and salaries, over-time pay, commissions, fees, tips and bonuses before payroll deductions;

(ii) net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness or any allowance for depreciation of capital assets);

(iii) interest and dividends (include all income from assets as set forth in item 7(b) below);

(iv) the full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;

(v) payments in lieu of earnings, such as unemployment and disability compensation, workmen's compensation and severance pay;

(vi) the maximum amount of public assistance available to the above persons;

(vii) periodic and determinable allowances, such as alimony and child support payments and regular contributions and gifts received from persons not residing in the dwelling;

(viii) all regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is the head of the household or spouse; and

(ix) any earned income tax credit to the extent it exceeds income tax liability.

(b) The following income is excluded from the amount set forth above:

(i) casual, sporadic or irregular gifts;

(ii) amounts which are specifically for or in reimbursement of medical expenses;

(iii) lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses;

(iv) amounts of educational scholarships paid directly to a student or an educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment, but in either case only to the extent used for such purposes;

(v) hazardous duty to a member of the household in the armed forces who is away from home and exposed to hostile fire;

(vi) relocation payments under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970;

(vii) income from employment of children (including foster children) under the age of 18 years;

(viii) foster child care payments;

(ix) the value of coupon allotments under the Food Stamp Act of 1977;

(x) payments to volunteers under the Domestic Volunteer Service Act of 1973;

(xi) payments received under the Alaska Native Claims Settlement Act;

(xii) income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes;

(xiii) payments on allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program;

(xiv) payments received from the Job Partnership Training Act;

(xv) income derived from the disposition of funds of the Grand River Band of Ottawa Indians; and

(xvi) the first \$2000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the Court of Claims or from funds held in trust for an Indian tribe by the Secretary of Interior.

7. If any of the persons described in column 1 above (or any person whose income or contributions were included in item 6) has any savings, stocks, bonds, equity in real property or other form of capital investment (excluding interests in Indian trust lands), provide:

(a) the total value of all such assets owned by all such persons: \$_____, and

(b) the amount of income expected to be derived from such assets in the 12-month period commencing this date: \$_____.

8. (a) Will all of the persons listed in column 1 above be or have they been full-time students during five calendar months of this calendar year at an educational institution (other than a correspondence school) with regular faculty and students?

Yes _____ No _____

(b) (Complete only if the answer to Question 8(a) is "Yes"). Is any such person (other than nonresident aliens) married and eligible to file a joint federal income tax return?

Yes _____ No _____

We acknowledge that all of the foregoing information is relevant to the status under federal income tax law of the interest on bonds issued to finance the acquisition and rehabilitation of the apartment building for which application is being made. We consent to the disclosure of such information to the issuer of such bonds, the holders of such bonds, any trustee acting on their behalf and any authorized agent of the Treasury Department or Internal Revenue Service.

We declare under penalty of perjury that the foregoing is true and correct.

Date: _____

Head of Household

Spouse

FOR COMPLETION BY PROJECT OWNER ONLY:

I. Calculation of eligible income:

(A) Enter amount entered for entire household from 6 above:

\$ _____

(B) If the amount entered in 7(a) above is greater than \$5,000, enter:(i) the product of the amount entered in 7(a) above multiplied by the current passbook savings rate as determined by HUD:

\$ _____

(ii) the amount entered in 7(b) above:

\$ _____

(iii) line (i) minus line (ii) (if less than \$0, enter \$0):

\$ _____

(C) TOTAL ELIGIBLE INCOME (Line I(A) plus line I(B)(iii)):

\$ _____

II. Qualification as individuals or a family of Low Income:

(A) Is the amount entered in line I(C) less than 60% of median gross income for the Area?

Yes _____ No _____

(B) (i) If line II(A) is "No," then the household does not qualify as individuals or a family of Low Income; go to item III.

(ii) If line II(A) above is "Yes" and 8(a) above is "No," then the household qualifies as individuals or a family of Low Income; go to item III.

(iii) If line II(A) above is "Yes" and 8(b) above is "Yes," then the household qualifies as individuals or a family of Low Income; go to item III.

(iv) If neither (ii) nor (iii) is applicable, then the household does not qualify as individuals or a family of Low Income.

III. (Check one)

The household does not qualify as individuals or a family of Low Income. _____.

The household qualifies as individuals or a family of Low Income. _____.

IV. Number of apartment unit assigned: _____(enter here and on page one)

_____Owner

NOTE TO PROJECT OWNER: A vacant unit previously occupied by individuals or a family of Low Income, may be treated as occupied by individuals or a family of Low Income until reoccupied, other than for a period of 31 consecutive days or less, at which time the character of the unit shall be redetermined.

EXHIBIT C

[FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE]

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

WITNESSETH that on this __ day of _____, 20__, the undersigned, having borrowed certain funds from the CITY OF OCEANSIDE (the "Issuer") for the purpose of financing a multifamily rental housing development (the "Project"), does hereby certify that:

1. During the preceding month (i) such Project was continually in compliance with the Regulatory Agreement executed in connection with such loan from the Issuer, and (ii) ___% of the units in the Project were occupied by Low Income Tenants (minimum of 100%).

Set forth below are the names of Low Income Tenants who commenced or terminated occupancy during the preceding month.

Commenced Occupancy

Terminated Occupancy

- 1.
- 2.
- 3.

- 1.
- 2.
- 3.

The units occupied by Low Income Tenants are of similar size and quality to other units and are dispersed throughout the Project. Attached is a separate sheet listing the number of each unit and indicating which units are occupied by Low Income Tenants, the size, the number of bedrooms of such units and the number of Low Income Tenants who commenced occupancy of units during the preceding month.

2. *Select appropriate certification:* [No unremedied default has occurred under this Regulatory Agreement, the Financing Agreement, the Note or the Subordinate Note, or the Mortgage or the Subordinate Mortgage .] [A default has occurred under the _____. The nature of the default and the measures being taken to remedy such default are as follows: _____.]

3. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief.

Date: _____

Owner

BOND PROGRAM REPORT

Property:

Location:

Today's Date: Total # Units:
 Total Habitable/Livable Units:
 (Rehabilitation Projects Only)

Submitted by: Total Units Occupied:
 |Total New Rentals (Occupied)Current
 Month/Quarter:

Total Lower Income Units Occupied:

**New Lower Income Rentals Current
 Month/Quarter:**

**% Of Lower Income Units Occupied to Total Units: # Of Units Held vacant and
 available for Rent to Lower Income Tenants:**

**PLEASE LIST ALL BOND PROGRAM
UNITS BELOW IN NUMERIC OR
 ALPHABETIC ORDER:(Indicate "V" if
 vacant)**

Unit No.	Tenant's Last Name(s)	No. of Occ.	No. of Bedrm	Tenant Monthly Rent*	Gross Annual Household Income (all sources)	Date of Certification

***If tenant(s) are on an Assisted Rental Program such as Section 8, only list tenant portion of rent**

EXHIBIT D

[FORM OF COMPLETION CERTIFICATE]

COMPLETION CERTIFICATE

The undersigned hereby certifies that:

1) all portions of the Project that are to be [rehabilitated][constructed] have been completed; and

2) [all of the units in the Project are available for occupancy by tenants] [10% of the units in the Project were completed and made available for occupancy by tenants as of _____ and 50% of the units in the Project were completed and made available for occupancy by tenants as of _____].

Dated: _____

[BORROWER]

By: _____
Authorized Borrower Representative

EXHIBIT E

[FORM OF ADMINISTRATOR CERTIFICATE]

[Name of Bonds]

ADMINISTRATOR DETERMINATION CERTIFICATE

The City of Oceanside (the “Issuer”) in connection with the issuance of the above-referenced bonds (the “Bonds”) hereby appoints [_____] as administrator (the “Administrator”) for the following Project:

Name of Project:

Number of units:

Type of project: Acquisition/rehabilitation

Set aside requirements:

Aggregate amount of Bonds issued:

Bond Issuance Date:

Expected Completion Date:

The Administrator is hereby authorized and directed to perform such duties and obligations, and will be compensated by the Issuer, as set forth in that certain _____ Agreement, dated as of _____, between the Issuer and the Administrator, and the Regulatory Agreement and Declaration of Restrictive Covenants among the Issuer, the Borrower and the trustee for the Bonds, which is attached hereto in its entirety.

Capitalized terms used herein and not otherwise defined shall have the meaning given to such terms in that certain Regulatory Agreement and Declaration of Restrictive Covenants entered into by the Issuer and the Borrower set forth below in connection with the issuance of the Bonds.

Dated: _____

CITY OF OCEANSIDE

By: _____

ACCEPTED this ____ day of _____, ____:

[Administrator]

By: _____

Name:

Title:

ACKNOWLEDGED this ____ day of _____, ____:

[Borrower]

By: _____

Authorized Borrower Representative

EXHIBIT F

CDLAC RESOLUTION

EXHIBIT G

FREDDIE MAC RIDER

This Freddie Mac Rider (the “**Rider**”) is attached to and forms a part of the Regulatory Agreement and Declaration of Restrictive Covenants (the “**Regulatory Agreement**”), dated as of February 1, 2009, by and among the City of Oceanside (the “**Issuer**”), The Bank of New York Mellon Trust Company, N.A., as bond trustee (together with any successor in such capacity, the “**Trustee**”), and Shadow Way Apartments, LP, a California limited partnership (together with any successor to its rights, duties and obligations hereunder and as owner of the Project identified herein, the “**Owner**”).

1. Definitions. Terms used in this Rider as defined terms shall have the meanings given those terms in the Regulatory Agreement. In addition, the following terms shall have the following meanings:

“**Bonds**” means the City of Oceanside Variable Rate Demand Multifamily Housing Revenue Bonds (Shadow Way Apartments Project) Series 2009, initially issued in the aggregate principal amount of \$15,000,000.

“**Bond Documents**” has the meaning given that term in the Indenture.

“**Bond Mortgage**” means the Multifamily Deed of Trust, Assignment of Rents, and Security Agreement, together with all riders, securing the Bond Mortgage Note, to be executed by the Owner for the benefit of the Issuer with respect to the Project (as defined in the Indenture) and as it may be amended, modified, supplemented or restated from time to time, which Bond Mortgage has been assigned by the Issuer to the Trustee.

“**Bond Mortgage Loan**” means the loan to the Owner pursuant to the Bond Mortgage Loan Documents, which Bond Mortgage Loan is to be assigned to the Trustee.

“**Bond Mortgage Loan Documents**” means the Bond Mortgage Note, the Bond Mortgage, the Financing Agreement, the Tax Regulatory Agreement, any Custodial Escrow Agreement, the Credit Enhancement Agreement, the Freddie Mac Reimbursement Agreement, the Reimbursement Mortgage, the Intercreditor Agreement and any and all other instruments documenting, evidencing, securing or otherwise relating to the Bond Mortgage Loan.

“**Bond Mortgage Note**” means the Bond Mortgage Note, including applicable addenda, to be executed by the Owner in favor of the Issuer, evidencing the Owner’s financial obligations under the Bond Mortgage Loan, and endorsed by the Issuer, without recourse, to the order of the Trustee, as the same may be amended, modified, supplemented or restated from time to time.

“**Credit Facility Provider**” shall mean Freddie Mac.

“**Financing Agreement**” means the Financing Agreement, dated as of February 1, 2009, among the Issuer, the Trustee and the Owner, relating to the Bonds and the Bond Mortgage Loan, as amended, modified, supplemented or restated from time to time.

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

“Indenture” means the Trust Indenture, dated as of February 1, 2009, between the Issuer and the Trustee, pursuant to which the Bonds are issued, as amended, modified, supplemented or restated from time to time.

“Intercreditor Agreement” means the Intercreditor Agreement among Freddie Mac, the Issuer and the Trustee, to be effective as of the date on which Freddie Mac delivers the Credit Enhancement Agreement to the Trustee.

“Servicer” means Prudential Affordable Mortgage Company or a successor Servicer selected by Freddie Mac.

2. Applicability. The provisions of this Rider shall amend and supplement the provisions of, and in the event of a conflict shall supersede the conflicting provisions of, the Regulatory Agreement.

3. Indemnification. Inasmuch as the covenants, reservations and restrictions of the Regulatory Agreement run with the land, the indemnification obligations of the Owner contained in the Regulatory Agreement will be deemed applicable to any successor in interest to the Owner, but, it is acknowledged and agreed, notwithstanding any other provision of the Regulatory Agreement to the contrary, that neither Freddie Mac nor any successor in interest to Freddie Mac will assume or take subject to any liability for the indemnification obligations of the Owner for acts or omissions of the Owner prior to any transfer of title to Freddie Mac, whether by foreclosure, deed in lieu of foreclosure or comparable conversion of the Bond Mortgage Loan; the Owner shall remain liable under the indemnification provisions for its acts and omissions prior to any transfer of title to Freddie Mac. Freddie Mac shall indemnify the Issuer following acquisition of the Project by Freddie Mac, by foreclosure, deed in lieu of foreclosure or comparable conversion of the Bond Mortgage Loan, during, and only during, any ensuing period that Freddie Mac owns and operates the Project, provided that Freddie Mac’s liability shall be strictly limited to acts and omissions of Freddie Mac occurring during the period of ownership and operation of the Project by Freddie Mac. Freddie Mac shall have no indemnification obligations with respect to the Bonds or the Bond Mortgage Loan Documents. The Owner shall remain liable under the Regulatory Agreement for its actions and omissions prior to any transfer of title to Freddie Mac.

4. Sale or Transfer. Restrictions set forth in the Regulatory Agreement on sale or transfer of the Project or of any interest in the Owner, Issuer and/or Trustee consents, transferee agreements, transferee criteria and requirements, opinion requirements, assumption fees, transfer fees, penalties and the like shall not apply to any transfer of title to the Project to Freddie Mac or to a third party by foreclosure, deed in lieu of foreclosure or comparable conversion of the Bond Mortgage Loan or to any subsequent transfer by Freddie Mac following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Bond Mortgage Loan. No transfer of the Project shall operate to release the Owner from its obligations under the Regulatory Agreement. Nothing contained in the Regulatory Agreement shall affect any provision of the Bond Mortgage or any of the other Bond Mortgage Loan Documents which requires the Owner to obtain the consent of Freddie Mac as a precondition to sale, transfer or

other disposition of, or any direct or indirect interest in, the Project or of any direct or indirect interest in the Owner, excluding transfers permitted by the Bond Mortgage. No covenant obligating the Owner to obtain an agreement from any transferee to abide by all requirements and restrictions of the Regulatory Agreement shall have any applicability to a transfer to Freddie Mac upon foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Bond Mortgage Loan by Freddie Mac, or to any subsequent transfer by Freddie Mac following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Bond Mortgage Loan. Any written consent to a sale or transfer obtained from the Issuer must be deemed to constitute conclusive evidence that the sale or transfer is not a violation of the transfer provisions.

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

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

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

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

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

The foregoing prohibitions and limitations are not intended to limit the rights of the Issuer or the Trustee to specifically enforce the Regulatory Agreement or to seek injunctive relief in order to provide for the operation of the Project in accordance with the requirements of the Internal Revenue Code and state law. Accordingly, upon any default by the Owner, the Issuer or the Trustee may seek specific performance of the Regulatory Agreement or enjoin acts which may be in violation of the Regulatory Agreement or unlawful, but neither the Issuer nor the Trustee may seek any form of monetary recovery from the Owner, although the Issuer may seek to enforce a claim for indemnification, provided that no obligation of the Owner under the Regulatory Agreement, including, without limitation, any indemnification obligation, any other obligation for the payment of money, any claim and any judgment for monetary damages against the Owner, occasioned by breach or alleged breach by the Owner of its obligations under the Regulatory Agreement or otherwise, shall be secured by or in any manner constitute a lien on, or

security interest in, the Project, whether in favor of the Issuer, the Trustee or any other person, and all such obligations shall be, and by this Rider are, subordinate in priority, in right to payment and in all other respects to the obligations, liens, rights (including without limitation the right to payment) and interests arising or created under the Bond Mortgage Loan Documents. Accordingly, neither the Issuer nor the Trustee shall have the right to enforce any monetary obligation other than directly against the Owner, without recourse to the Project. In addition, any such enforcement must not cause the Owner to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Owner under any applicable liquidation, insolvency, bankruptcy, rehabilitation, composition, reorganization, conservation or other similar law in effect now or in the future.

The obligations of any owner under the Regulatory Agreement shall be personal to the person who was the owner at the time that an event, including, without limitation, any default or breach of the Regulatory Agreement, occurred or was alleged to have occurred, and such person shall remain liable for any and all such obligations, including damages occasioned by a default or breach, even after such person ceases to be the owner of the Project. Accordingly, no subsequent owner of the Project shall be liable or obligated for the obligation of any prior owner (including the Owner), including, but not limited to, any obligation for payment, indemnification or damages, for default or breach of the Regulatory Agreement or otherwise. The owner of the Project at the time the obligation was incurred, including any obligation arising out of a default or breach of the Regulatory Agreement, shall remain liable for any and all payments and damages occasioned by the owner even after such person ceases to be the owner of the Project, and no person seeking such payments or damages shall have recourse against the Project.

Under no circumstances shall the Issuer or the Trustee:

- (i) initiate or take any action which may have the effect, directly or indirectly, of impairing the ability of the Owner to timely pay the principal of, interest on, or other amounts due and payable under, the Bond Mortgage Loan;
- (ii) interfere with or attempt to influence the exercise by Freddie Mac of any of its rights under the Bond Mortgage Loan, including, without limitation, Freddie Mac's remedial rights under the Bond Mortgage Loan Documents upon the occurrence of an event of default by the Owner under the Bond Mortgage Loan; or
- (iii) upon the occurrence of an event of default under the Bond Mortgage Loan, take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Bond Mortgage Loan.

6. Notice of Violations. Promptly upon determining that a violation of the Regulatory Agreement has occurred, the Issuer or the Trustee shall, by notice in writing to the Borrower, the Servicer and Freddie Mac, inform the Borrower, the Servicer and Freddie Mac that such violation has occurred, the nature of the violation and that the violation has been cured or has not been cured, but is curable within a reasonable period of time, or is incurable; notwithstanding the occurrence of such violation, neither the Issuer nor the Trustee shall have, and each of them acknowledge that they shall not have, any right to cause or direct acceleration of the Bond Mortgage Loan, to enforce the Bond Mortgage Note or to foreclose on the Mortgage.

7. Amendments. The Regulatory Agreement shall not be amended without the prior written consent of Freddie Mac.

8. Fees; Penalties. Freddie Mac shall not be liable for the payment of any compensation or any accrued unpaid fees, costs, expenses or penalties otherwise owed by the Owner or any subsequent owner of the Project prior to the date of acquisition of the Project by Freddie Mac, whether such acquisition is by foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Bond Mortgage Loan.

9. Subordination. The terms, covenants and restrictions of the Regulatory Agreement, other than those set forth in Sections 3 through 7, are and shall at all times remain subject and subordinate, in all respects, to the liens, rights and interests created under the Bond Mortgage Loan Documents.

10. Third-Party Beneficiary. The parties to the Regulatory Agreement recognize and agree that the terms of the Regulatory Agreement and the enforcement of those terms are essential to the security of Freddie Mac and are entered into for the benefit of various parties, including Freddie Mac. Freddie Mac shall accordingly have contractual rights in the Regulatory Agreement and shall be entitled (but not obligated) to enforce, separately or jointly with the Issuer and/or the Trustee, or to cause the Issuer or the Trustee to enforce, the terms of the Regulatory Agreement. In addition, Freddie Mac is intended to be and shall be a third-party beneficiary of the Regulatory Agreement.

11. Notices. Copies of all notices under the Regulatory Agreement shall be sent to the Servicer at the address set forth below or to such other address as the Servicer may from time to time designate:

The Servicer: Prudential Asset Resources
2100 Ross Avenue, Suite 2500
Dallas, TX 75201
Attn: Director – Structured Products
Telephone: (214) 777-4523
Facsimile: (214) 777-4556

With a copy to: Prudential Affordable Mortgage Company
8401 Greensboro Drive, 2nd Floor
McLean, VA 22102
Attn: President – Affordable Housing
Telephone: (703) 610-1340
Facsimile: (703) 610-1405

Any notice to be given to Freddie Mac shall be sent to Freddie Mac at the address set forth below or to such other address as Freddie Mac may from time to time designate:

Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
McLean, VA 22102
Attention: Multifamily Management and Control
Telephone: (703) 903-2000
Facsimile: (703) 714-3273

with a copy to:

Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive
McLean, VA 22102
Attention: Associate General Counsel-Multifamily
Legal Department
Telephone: (703) 903-2000
Facsimile: (703) 903-3693

with a copy to:

Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
McLean, VA 22102
Attention: Director of Multifamily Loan Servicing
Telephone: (703) 903-2000
Facsimile: (703) 714-3003

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FHLMC FORM—JULY 2006
(Governmental Entity)

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT (this “**Agreement**”) is entered into as of the 1st day of _____, 200__, by and between (i) FEDERAL HOME LOAN MORTGAGE CORPORATION, a shareholder-owned, government-sponsored enterprise organized and existing under the laws of the United States (the “**Senior Mortgage**”), and (ii) [GOVERNMENTAL ENTITY] _____, a _____ duly organized and existing under the _____ of the State of _____ [insert statutory authority] (the “**Subordinate Mortgage**”).

RECITALS

A. _____, a _____ (the “**Borrower**”) is the owner of certain land located in _____, _____, described in Exhibit A hereto (the “**Land**”). The Land is or will be improved with a multifamily housing project (the “**Improvements**”).

B. [NAME OF BOND ISSUER] (the “**Issuer**”) has issued and sold its \$_____ [CONFORM: Variable Rate Demand Multifamily Housing Revenue Bonds (_____ Apartments) Series 200__] (the “**Bonds**”) pursuant to a Trust Indenture dated as of the date hereof (the “**Indenture**”) between the Issuer and _____, as trustee (the “**Bond Trustee**”). Proceeds of the Bonds (the “**Loan**”) are being loaned by the Issuer to the Borrower upon the terms and conditions of a certain Financing Agreement dated as of the date hereof among the Issuer, Bond Trustee and Borrower (the “**Financing Agreement**”) for the sole and exclusive purpose for financing the Improvements.

C. Freddie Mac has entered into a Credit Enhancement Agreement dated as of the date hereof with the Bond Trustee (the “**Credit Enhancement Agreement**”) pursuant to which Freddie Mac has agreed to make certain advances to the Bond Trustee (a) with respect to amounts due under the Loan for the Project and (b) to provide funds to purchase the Bonds tendered under certain circumstances in accordance with the Indenture.

D. The Borrower has entered into a Reimbursement and Security Agreement dated as of the date hereof with Freddie Mac (the “**Reimbursement Agreement**”) to evidence the Borrower’s obligation to reimburse Freddie Mac for advances under the Credit Enhancement Agreement.

E. The Reimbursement Agreement will be secured by a [Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing] dated as of the date hereof (the “**Senior Mortgage**”), encumbering the Land and Improvements and other “**Mortgaged Property**” (as defined in the Senior Mortgage).

F. Pursuant to a [CONFORM: Construction and Permanent Loan Agreement and Addendum/Promissory Note] dated as of the date hereof between the Subordinate Mortgagee and the Borrower (the “**Subordinate Loan Agreement**”), the Subordinate Mortgagee has made or is making a loan to the Borrower in the original principal amount of \$_____. The loan is or will be secured by [CONFORM: Construction and Permanent Deed of Trust, Assignment of Rents, Fixture Filing and Rider] dated as of the date hereof (the “**Subordinate Mortgage**”) encumbering the Land and Improvements.

G. The Senior Mortgage is intended to be recorded in the Official Records (“**Recording Offices**”) of _____ County, _____. The Subordinate Mortgage is intended to be recorded in the Recording Offices following the recording of the Senior Mortgage.

H. The execution and delivery of this Agreement is a condition of Senior Mortgagee’s entering into the Credit Enhancement Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS. The following terms, when used in this Agreement (including, as appropriate, when used in the above recitals), shall have the following meanings.

(a) The terms “**Condemnation**”, “**Impositions**”, “**Leases**”, “**Rents**”, “**Restoration**” and “**Transfer**”, as well as any term used in this Agreement and not otherwise defined in this Agreement, shall have the meanings given to those terms in the Senior Mortgage.

(b) “**Bankruptcy Proceeding**” means any bankruptcy, reorganization, insolvency, composition, restructuring, dissolution, liquidation, receivership, assignment for the benefit of creditors, or custodianship action or proceeding under any federal or state law with respect to the Borrower, any guarantor of any of the Senior Indebtedness, any of their respective properties, or any of their respective partners, members, officers, directors, or shareholders.

(c) “**Borrower**” means all persons or entities identified as “Borrower” in the first paragraph of this Agreement, together with their successors and assigns, and any other person or entity who acquires title to the Land and Improvements after the date of this Agreement; provided that the term "Borrower" shall not include the Senior Mortgagee in the event that the Senior Mortgagee may acquire title to the Land and Improvements.

(d) “**Casualty**” means the occurrence of damage to or loss of any of the Mortgage Property by fire or other casualty.

(e) “**Enforcement Action**” means the acceleration of all or any part of the Subordinate Indebtedness, the advertising of or commencement of any foreclosure or trustee’s sale proceedings, the exercise of any power of sale, the acceptance of a deed or

assignment in lieu of foreclosure or sale, the collecting of Rents, the obtaining of or seeking of the appointment of a receiver, the seeking of default interest, the taking of possession or control of any of the Mortgaged Property, the commencement of any suit or other legal, administrative, or arbitration proceeding based upon the Subordinate Note or any other of the Subordinate Loan Documents, the exercising of any banker's lien or rights of set-off or recoupment, or the taking of any other enforcement action against the Borrower, any other party liable for any of the Subordinate Indebtedness or obligated under any of the Subordinate Loan Documents, or the Mortgaged Property.

(f) **“Enforcement Action Notice”** means a written notice from the Subordinate Mortgagee to the Senior Mortgagee, given following a Subordinate Mortgage Default and the expiration of any notice or cure periods provided for such Subordinate Mortgage Default in the Subordinate Loan Documents, setting forth in reasonable detail the Enforcement Action proposed to be taken by the Subordinate Mortgagee.

(g) **“Loss Proceeds”** means all monies received or to be received under any insurance policy, from any condemning authority, or from any other source, as a result or any Condemnation or Casualty.

(h) **“Senior Indebtedness”** means the “Indebtedness” as defined in the Senior Mortgage.

(i) **“Senior Loan Documents”** means the “Loan Documents” as defined in the Senior Mortgage.

(j) **“Senior Mortgage Default”** means any act, failure to act, event, condition, or occurrence which constitutes, or which with the giving of notice or the passage of time, or both, would constitute, an “Event of Default” as defined in the Senior Mortgage.

(k) **“Senior Mortgagee”** means the entity named as such in the first paragraph of this Agreement and any other person or entity who subsequently becomes the obligor under the Credit Enhancement Agreement.

(l) **“Subordinate Indebtedness”** means all sums evidenced or secured or guaranteed by, or otherwise due and payable to the Subordinate Mortgagee pursuant to, the Subordinate Loan Documents.

(m) **“Subordinate Loan Documents”** means the Subordinate Loan Agreement, Subordinate Mortgage, the promissory note or other evidence of the Subordinate Indebtedness referred to in the Subordinate Mortgage and any replacement thereof (the **“Subordinate Note”**), the ___-Year Affordability Restriction [**Declaration of Land Use Restrictions**] dated _____, 200__ and recorded _____ as _____ in the Recording Offices of _____, County, _____ (the **“Restrictive Covenant”**) and all other documents at any time

evidencing, securing, guaranteeing, or otherwise delivered in connection with the Subordinate Indebtedness, as the same may be amended from time to time.

(n) **“Subordinate Mortgage Default”** means any act, failure to act, event, condition, or occurrence which allows (but for any contrary provision of this Agreement), or which with the giving of notice or the passage of time, or both, would allow (but for any contrary provision of this Agreement), the Subordinate Mortgagee to take an Enforcement Action.

(o) **“Subordinate Mortgagee”** means the person or entity named as such in the first paragraph of this Agreement and any other person or entity who becomes the legal holder of the Subordinate Note after the date of this Agreement.

(p) [IF APPLICABLE: **“Surplus Cash”** means, with respect to any period, any revenues of the Borrower remaining after paying, or setting aside funds for paying, the following: (i) all sums due or currently required to be paid under the Financing Agreement (including but not limited to any deposits to a principal reserve fund), (ii) all sums due or currently required to be paid under the Reimbursement Agreement or any of the other Senior Loan Documents (including but not limited to any Imposition Deposits as defined in the Senior Mortgage), (iii) all deposits to any replacement reserve, completion/repair reserve or other reserve or escrow required by the Bond Mortgage Loan Documents (as defined in the Reimbursement Agreement) or by the Senior Loan Documents that are due or currently payable, (iv) all fees due or currently payable by the Borrower in connection with the Bonds, including but not limited to fees and expenses of the Issuer, the Trustee, the remarketing agent, the tender agent and any rebate analyst, and (v) all reasonable operating expenses of the Mortgaged Property, including but not limited to real estate taxes, insurance premiums, utilities, building maintenance and repairs, management fees, payroll, administrative expenses, legal expenses and audit expenses (excluding any developer fees payable with respect to the Mortgaged Property).]

2. SUBORDINATION OF SUBORDINATE INDEBTEDNESS.

(a) The Subordinate Indebtedness is and shall at all times continue to be subject and subordinate in right of payment to the prior payment in full of the Senior Indebtedness.

(b) Until the occurrence of a Senior Mortgage Default, the Subordinate Mortgagee shall be entitled to retain for its own account all payments made on account of the principal of and interest on the Subordinate Indebtedness in accordance with the requirements of the Subordinate Loan Documents; provided no such payment is made more than ten (10) days in advance of the due date thereof[, and provided further that no such payment exceeds 75% of then available Surplus Cash]. However, immediately upon the Subordinate Mortgagee’s receipt of notice or actual knowledge of a Senior Mortgage Default, the Subordinate Mortgagee will not accept any payments on account of the Subordinate Indebtedness, and the provisions of Section 2(c) of this Agreement shall apply. The Subordinate Mortgagee acknowledges that a Subordinate Mortgage Default

constitutes a Senior Mortgage Default. Accordingly, upon the occurrence of a Subordinate Mortgage Default, the Subordinate Mortgagee shall be deemed to have actual knowledge of a Senior Mortgage Default.

(c) If (i) the Subordinate Mortgagee receives any payment, property, or asset of any kind or in any form on account of the Subordinate Indebtedness (including, without limitation, any proceeds from any Enforcement Action) after a Senior Mortgage Default of which the Subordinate Mortgagee has actual knowledge or has been given notice, or (ii) the Subordinate Mortgagee receives, voluntarily or involuntarily, by operation of law or otherwise, any payment, property, or asset in or in connection with any Bankruptcy Proceeding, such payment, property, or asset will be received and held in trust for the Senior Mortgagee. The Subordinate Mortgagee will promptly remit, in kind and properly endorsed as necessary, all such payments, properties, and assets to the Senior Mortgagee. The Senior Mortgagee shall apply any payment, asset, or property so received from the Subordinate Mortgagee to the Senior Indebtedness in such order, amount (with respect to any asset or property other than immediately available funds), and manner as the Senior Mortgagee shall determine in its sole and absolute discretion. The Subordinate Mortgagee hereby designates and appoints, irrevocably and coupled with an interest, the Senior Mortgagee (and all persons and entities designated by the Senior Mortgagee) as the Subordinate Mortgagee's true and lawful attorney-in-fact with power to endorse the name of the Subordinate Mortgagee upon any check or other instrument and to take any action necessary to collect any payment, property, or asset referred to in, or otherwise to effectuate the provisions of, this Section 2(c).

(d) Without limiting the complete subordination of the Subordinate Indebtedness to the payment in full of the Senior Indebtedness, in any Bankruptcy Proceeding, upon any payment or distribution (whether in cash, property, securities, or otherwise) to creditors (i) the Senior Indebtedness shall first be paid in full in cash before the Subordinate Mortgagee shall be entitled to receive any payment or other distribution on account of or in respect of the Subordinate Indebtedness, and (ii) until all of the Senior Indebtedness is paid in full in cash, any payment or distribution to which the Subordinate Mortgagee would be entitled but for this Agreement (whether in cash, property, or other assets) shall be made to the Senior Mortgagee.

(e) The subordination of the Subordinate Indebtedness shall continue in the event that any payment under the Senior Loan Documents (whether by or on behalf of the Borrower, as proceeds of security or enforcement of any right of set-off or otherwise) is for any reason repaid or returned to the Borrower or its insolvent estate, or avoided, set aside or required to be paid to the Borrower, a trustee, receiver or other similar party under any bankruptcy, insolvency, receivership or similar law. In such event, the Senior Indebtedness or part thereof originally intended to be satisfied shall be deemed to be reinstated and outstanding to the extent of any repayment, return, or other action, as if such payment on account of the Senior Indebtedness had not been made.

3. SUBORDINATION OF SUBORDINATE LOAN DOCUMENTS.

(a) The Subordinate Mortgage and each of the other Subordinate Loan Documents are, and shall at all times remain, subject and subordinate in all respects to the liens, terms, covenants, conditions, operations, and effects of the Senior Mortgage and each of the other Senior Loan Documents.

(b) The subordination of the Subordinate Loan Documents and of the Subordinate Indebtedness shall apply and continue notwithstanding (i) the actual date and time of execution, delivery, recording, filing or perfection of the Senior Mortgage and other Senior Loan Documents and of the Subordinate Mortgage and other Subordinate Loan Documents, and (ii) the availability of any collateral to the Senior Mortgagee, including the availability of any collateral other than the Mortgaged Property.

(c) By reason of, and without in any way limiting, the full subordination of the Subordinate Indebtedness and the Subordinate Loan Documents provided for in this Agreement, all rights and claims of the Subordinate Mortgagee under the Subordinate Mortgage or under the Subordinate Loan Documents in or to the Mortgaged Property or any portion thereof, the proceeds thereof, the Leases thereof, the Rents, issues and profits therefrom, and the Loss Proceeds payable with respect thereto, are expressly subject and subordinate in all respects to the rights and claims of the Senior Mortgagee under the Senior Loan Documents in and to the Mortgaged Property or any portion thereof, the proceeds thereof, the Leases thereof, the Rents, issues and profits therefrom, and the Loss Proceeds payable with respect thereto.

(d) If the Subordinate Mortgagee, by indemnification, subrogation or otherwise, shall acquire any lien, estate, right or other interest in any of the Mortgaged Property, that lien, estate, right or other interest shall be fully subject and subordinate to the receipt by the Senior Mortgagee of payment in full of the Senior Indebtedness, and to the Senior Loan Documents, to the same extent as the Subordinate Indebtedness and the Subordinate Loan Documents are subordinate pursuant to this Agreement.

(e) In confirmation, and not as a condition, of the subordination of the Subordinate Indebtedness and the Subordinate Loan Documents provided for in this Agreement, the Subordinate Mortgagee shall place on or attach to the Subordinate Note the following notice, and shall provide the Senior Mortgagee with a copy of the Subordinate Note showing such notice:

“The [indebtedness evidenced by this promissory note is payable only from seventy-five percent (75%) of Surplus Cash (as defined in the Subordination Agreement referenced below) and the] right of the holder of this promissory note to payment of any of the indebtedness evidenced by this promissory note is and shall at all times be subordinate to the right of The Federal Home Loan Mortgage Corporation under a certain Reimbursement and Security Agreement dated as of _____, 200__ between the maker of this promissory note and The Federal Home Loan Mortgage Corporation (the “Reimbursement Agreement”), to payment in full of the obligations evidenced by the Reimbursement Agreement. The foregoing subordination is pursuant to a Subordination Agreement dated as of _____, 200__ between The Federal Home Loan Mortgage Corporation

and the holder on the date of the Subordination Agreement of this promissory note.”

4. ADDITIONAL REPRESENTATIONS AND COVENANTS.

(a) The Subordinate Mortgagee represents and warrants that (i) the Subordinate Mortgagee is now the owner and holder of the Subordinate Loan Documents; (ii) the Subordinate Loan Documents are now in full force and effect; (c) the Subordinate Loan Documents have not been modified or amended; (iv) no Subordinate Mortgage Default has occurred, (v) the current principal balance of the Subordinate Indebtedness is [\$_____]; (vi) no scheduled monthly payments under the Subordinate Note have been or will be prepaid; and (vii) none of the rights of the Subordinate Mortgagee under any of the Subordinate Loan Documents are subject to the rights of any third parties, by way of subrogation, indemnification or otherwise.

(b) Without the prior written consent of the Senior Mortgagee in each instance, the Subordinate Mortgagee shall not (i) amend, modify, waive, extend, renew or replace any provision of any of the Subordinate Loan Documents, or (ii) pledge, assign, transfer, convey, or sell any interest in the Subordinate Indebtedness or any of the Subordinate Loan Documents; or (iii) accept any payment on account of the Subordinate Indebtedness other than a regularly scheduled payment of interest or principal and interest made not earlier than ten (10) days prior to the due date thereof or as expressly authorized in Section 4(i) [and not in excess of 75% of then available Surplus Cash]; or (iv) take any action which has the effect of increasing the Subordinate Indebtedness, or (v) appear in, defend or bring any action to protect the Subordinate Mortgagee’s interest in the Mortgaged Property, or (vi) take any action concerning environmental matters affecting the Mortgaged Property.

(c) The Subordinate Mortgagee shall deliver to the Senior Mortgagee a copy of each notice received or delivered by the Subordinate Mortgagee pursuant to the Subordinate Loan Documents or in connection with the Subordinate Indebtedness, simultaneously with the Subordinate Mortgagee’s delivery or receipt of such notice. The Senior Mortgagee shall deliver to the Subordinate Mortgagee a copy of each notice of a Senior Mortgage Default delivered by the Senior Mortgagee, simultaneously with the Senior Mortgagee’s delivery of such notice. Neither giving nor failing to give a notice to the Senior Mortgagee or Subordinate Mortgagee pursuant to this Section 4(c) shall affect the validity of any notice given by the Senior Mortgagee or Subordinate Mortgagee to the Borrower, as between the Borrower and such of the Senior Mortgagee or the Subordinate Mortgagee as provided the notice to the Borrower.

(d) Without the prior written consent of the Senior Mortgagee in each instance, the Subordinate Mortgagee will not commence, or join with any other creditor in commencing, any Bankruptcy Proceeding. In the event of a Bankruptcy Proceeding, the Subordinate Mortgagee shall not vote affirmatively in favor of any plan of reorganization or liquidation unless the Senior Mortgagee has also voted affirmatively in favor of such plan. In the event of any Bankruptcy Proceeding, the Subordinate Mortgagee shall not contest the continued accrual of interest on the Senior Indebtedness,

in accordance with and at the rates specified in the Senior Loan Documents, both for periods before and for periods after the commencement of such Bankruptcy Proceedings.

(e) Whenever the Subordinate Loan Documents give the Subordinate Mortgagee approval or consent rights with respect to any matter, and a right of approval or consent with regard to the same or substantially the same matter is also granted to the Senior Mortgagee pursuant to the Senior Loan Documents or otherwise, the Senior Mortgagee's approval or consent or failure to approve or consent, as the case may be, shall be binding on the Subordinate Mortgagee. None of the other provisions of this Section 4 are intended to be in any way in limitation of the provisions of this Section 4(e).

(f) All requirements pertaining to insurance under the Subordinate Loan Documents (including requirements relating to amounts and types of coverages, deductibles and special endorsements) shall be deemed satisfied if the Borrower complies with the insurance requirements under the Senior Loan Documents. All original policies of insurance required pursuant to the Senior Loan Documents shall be held by the Senior Mortgagee. Nothing in this Section 4(f) shall preclude the Subordinate Mortgagee from requiring that it be named as a mortgagee and loss payee, as its interest may appear, under all policies of property damage insurance maintained by the Borrower with respect to the Mortgaged Property, provided such action does not affect the priority of payment of Proceeds, or that the Subordinate Mortgagee be named as an additional insured under all policies of liability insurance maintained by the Borrower with respect to the Mortgaged Property.

(g) In the event of a Condemnation or a Casualty, the following provisions shall apply:

(i) the rights of the Subordinate Mortgagee (under the Subordinate Loan Documents or otherwise) to participate in any proceeding or action relating to a Condemnation or a Casualty, or to participate or join in any settlement of, or to adjust, any claims resulting from a Condemnation or a Casualty, shall be and remain subordinate in all respects to the Senior Mortgagee's rights under the Senior Loan Documents with respect thereto, and the Subordinate Mortgagee shall be bound by any settlement or adjustment of a claim resulting from a Condemnation or a Casualty made by the Senior Mortgagee;

(ii) all Loss Proceeds shall be applied either to payment of the costs and expenses of Restoration or to payment on account of the Senior Indebtedness, as and in the manner determined by the Senior Mortgagee in its sole discretion;

(iii) in the event the Senior Mortgagee applies or releases Loss Proceeds for the purposes of Restoration of the Mortgaged Property, the Subordinate Mortgagee shall release for such purpose all of its right, title and interest, if any, in and to such Loss Proceeds. If the Senior Mortgagee holds Loss Proceeds, or monitors the disbursement thereof, the Subordinate Mortgagee shall not do so. Nothing contained in this Agreement shall be deemed to require the

Senior Mortgagee to act for or on behalf of the Subordinate Mortgagee in connection with any Restoration or to hold or monitor any Loss Proceeds in trust for or otherwise on behalf of the Subordinate Mortgagee, and all or any Loss Proceeds may be commingled with any funds of the Senior Mortgagee; and

(iv) if the Senior Mortgagee elects to apply Loss Proceeds to payment on account of the Senior Indebtedness, and if the application of such Loss Proceeds results in the payment in full of the entire Senior Indebtedness, any remaining Loss Proceeds held by the Senior Mortgagee shall be paid to the Subordinate Mortgagee unless another party has asserted a claim to the remaining Loss Proceeds.

(h) The Subordinate Mortgagee shall enter into recognition and non-disturbance agreements with any tenants under commercial or retail Leases to whom the Senior Mortgagee has granted recognition and non-disturbance, on the same terms and conditions given by the Senior Mortgagee.

(i) Except as provided in this Section 4(i), and regardless of any contrary provision in the Subordinate Loan Documents, the Subordinate Mortgagee shall not collect payments for the purpose of escrowing for any cost or expense related to the Mortgaged Property or for any portion of the Subordinate Indebtedness. However, if the Senior Mortgagee is not collecting escrow payments for one or more Impositions (as defined in the Senior Mortgage), the Subordinate Mortgagee may collect escrow payments for such Impositions; provided that all payments so collected by the Subordinate Mortgagee shall be held in trust by the Subordinate Mortgagee to be applied only to the payment of such Impositions.

(j) Within ten (10) days after request by the Senior Mortgagee, the Subordinate Mortgagee shall furnish the Senior Mortgagee with a statement, duly acknowledged and certified setting forth the then-current amount and terms of the Subordinate Indebtedness, that there exists no default under the Subordinate Loan Documents (or describing any default that does exist), and such other information with respect to the Subordinate Indebtedness as the Senior Mortgagee may request.

(k) The Senior Mortgagee may waive, postpone, extend, reduce or otherwise modify any provisions of the Senior Loan Documents without the necessity of obtaining the consent of or providing notice to the Subordinate Mortgagee, and without affecting any of the provisions of this Agreement. Notwithstanding the forgoing, Senior Mortgagee may not modify any provisions of the Senior Loan Documents that increases the Senior Indebtedness, except for increases in the Senior Indebtedness that results from advances made by Senior Mortgagee to protect the security or lien priority of Senior Mortgagee under the Senior Loan Documents or to cure defaults under the Subordinate Loan Documents.

5. DEFAULT UNDER LOAN DOCUMENTS.

(a) For a period of ninety (90) days following delivery of an Enforcement Action Notice given by the Subordinate Mortgagee as a consequence of the Subordinate Mortgage Default, the Senior Mortgagee shall have the right to cure any Subordinate Mortgage Default, provided if such Subordinate Mortgage Default is not capable of being cured within such ninety (90) days period and Senior Mortgagee has commenced and is diligently pursuing such cure to completion, such additional period of time as may be required to cure such Subordinate Mortgage Default or until such time, if ever, as the Senior Mortgagee's delivery to the Subordinate Mortgagee of written consent to an Enforcement Action described in an Enforcement Action Notice given by the Subordinate Mortgagee as a consequence of the Subordinate Mortgage Default. The Senior Mortgagee shall not have any obligation whatsoever to cure any Subordinate Mortgage Default. The Senior Mortgagee shall not be subrogated to the rights of the Subordinate Mortgagee under the Subordinate Loan Documents by reason of the Senior Mortgagee having cured any Subordinate Mortgage Default. However, the Subordinate Mortgagee acknowledges that all amounts advanced or expended by the Senior Mortgagee in accordance with the Senior Loan Documents to cure a Subordinate Mortgage Default shall be added to and become a part of the Senior Indebtedness under Section 12 of the Senior Mortgage and shall be secured by the lien of, the Senior Mortgage.

(b) The Senior Mortgagee shall deliver to the Subordinate Mortgagee a notice within five business days in each case where the Senior Mortgagee has given notice to the Borrower of a Senior Mortgage Default. Failure of the Senior Mortgagee to send notice to the Subordinate Mortgagee shall not prevent the exercise of the Senior Mortgagee's rights and remedies under the Senior Mortgage Documents, subject to the provisions of this Agreement. The Subordinate Mortgagee shall have the right, but not the obligation, to cure any such Senior Mortgage Default within 30 days following the date of such notice; provided, however, that the Senior Mortgagee shall be entitled during such 30-day period to continue to pursue its remedies under the Senior Mortgage Documents. Subordinate Mortgagee may have up to 90 days from the date of the notice to cure a non-monetary default if during such 90-day period Subordinate Mortgagee keeps current all payments required by the Senior Mortgage Documents. In the event that such a non-monetary default creates an unacceptable level of risk relative to the Mortgaged Property, or Senior Mortgagee's secured position relative to the Mortgaged Property, as determined by Senior Mortgagee in its sole discretion, then Senior Mortgagee may exercise during such 90-day period all available rights and remedies to protect and preserve the Mortgaged Property and the rents, revenues and other proceeds from the Mortgaged Property. All amounts paid by the Subordinate Mortgagee to the Senior Mortgagee to cure a Senior Mortgage Default shall be deemed to have been advanced by the Subordinate Mortgagee pursuant to, and shall be secured by the lien of, the Subordinate Mortgage.

(c) In the event of a Subordinate Mortgage Default, the Subordinate Mortgagee will not commence any Enforcement Action until after the expiration of a period of ninety (90) days after the Subordinate Mortgagee has given the Senior Mortgagee an Enforcement Action Notice with respect to such Enforcement Action, provided that during such 90 day period, the Subordinate Mortgagee shall be entitled to

seek specific performance to enforce covenants and agreements of the Borrower relating to income, rent, or affordability restrictions contained in the Restrictive Covenant subject to Senior Mortgagee's right to cure a Subordinate Mortgage Default set forth in Section 5(a). The Subordinate Mortgagee may not commence any other Enforcement Action, including but not limited to any foreclosure action under the Subordinate Loan Documents, until the earlier of (A) the expiration of such ninety (90) day period or; (B) the delivery by Senior Mortgagee to the Subordinate Mortgagee of the Senior Mortgagee's written consent to such Enforcement Action by the Subordinate Mortgagee. The Subordinate Mortgagee acknowledges that the Senior Mortgagee may grant or refuse consent to the Subordinate Mortgagee's Enforcement Action in the Senior Mortgagee's sole and absolute discretion, and that such discretion may be exercised in an arbitrary manner. At the expiration of such ninety (90) day period, subject to Senior Mortgagee's right to cure set forth in Section 5(a), Subordinate Mortgagee may commence any Enforcement Action. Any Enforcement Action on the part of the Subordinate Mortgagee shall be subject to the provisions of this Agreement. The Subordinate Mortgagee acknowledges that the provisions of this Section 5(c) are fair and reasonable under the circumstances, that the Subordinate Mortgagee has received a substantial benefit from the Senior Mortgagee having granted its consent to the Subordinate Mortgagee, and that the Senior Mortgagee would not have granted such consent without the inclusion of these provisions in this Agreement.

(d) The Senior Mortgagee may pursue all rights and remedies available to it under the Senior Loan Documents, at law, or in equity, regardless of any Enforcement Action Notice or Enforcement Action by the Subordinate Mortgagee. No action or failure to act on the part of the Senior Mortgagee in the event of a Subordinate Mortgage Default or commencement of an Enforcement Action shall constitute a waiver on the part of the Senior Mortgagee of any provision of the Senior Loan Documents or this Agreement.

(e) In the event that an Enforcement Action taken by the Subordinate Mortgagee is the appointment of a receiver for any of the Mortgaged Property, all of the rents, issues, profits and proceeds collected by the receiver shall be paid and applied by the receiver solely to and for the benefit of the Senior Mortgagee until the Senior Indebtedness shall have been paid in full.

(f) The Subordinate Mortgagee hereby expressly consents to and authorizes the release by the Senior Mortgagee of all or any portion of the Mortgaged Property from the lien, operation, and effect of the Senior Loan Documents. The Subordinate Mortgagee hereby waives to the fullest extent permitted by law, all equitable or other rights it may have (i) in connection with any release of any portion of the Mortgaged Property, (ii) to require the separate sales of any portion of the Mortgaged Property or to require the Senior Mortgagee to exhaust its remedies against any portion of the Mortgaged Property or any combination of portions of the Mortgaged Property or any other collateral for the Senior Indebtedness, or (iii) to require the Senior Mortgagee to proceed against the Borrower, any other party that may be liable for any of the Senior Indebtedness (including any general partner of the Borrower if the Borrower is a

partnership), any portion of the Mortgaged Property or combination of portions of the Mortgaged Property, or any other collateral, before proceeding against all or such portions or combination of portions of the Mortgaged Property as the Senior Mortgagee determines. *[Add for California transactions - The Subordinate Mortgagee waives to the fullest extent permitted by law any and all benefits under California Civil Code Sections 2845, 2849 and 2850.]* The Subordinate Mortgagee hereby expressly consents to and authorizes, at the option of the Senior Mortgagee, the sale, either separately or together, of all or any portion of the Mortgaged Property. The Subordinate Mortgagee acknowledges that without notice to the Subordinate Mortgagee and without affecting any of the provisions of this Agreement, the Senior Mortgagee may (i) extend the time for or waive any payment or performance under the Senior Loan Documents; (ii) modify or amend in any respect any provision of the Senior Loan Documents; and (iii) modify, exchange, surrender, release and otherwise deal with any additional collateral for the Senior Indebtedness.

(g) If any party other than the Borrower (including the Senior Mortgagee) acquires title to any of the Mortgaged Property pursuant to a foreclosure of, or trustee's sale or other exercise of any power of sale under, the Senior Mortgage conducted in accordance with applicable law, the lien, operation, and effect of the Subordinate Mortgage and other Subordinate Loan Documents automatically shall terminate with respect to such Mortgaged Property.

6. MISCELLANEOUS PROVISIONS

(a) In the event of any conflict or inconsistency between the terms of the Subordinate Loan Documents and the terms of this Agreement, the terms of this Agreement shall control.

(b) This Agreement shall be binding upon and shall inure to the benefit of the respective legal successors and assigns of the parties hereto.

(c) This Agreement does not constitute an approval by the Senior Mortgagee of the terms of the Subordinate Loan Documents.

(d) Each notice, request, demand, consent, approval or other communication (collectively, "notices", and singly, a "notice") which is required or permitted to be given pursuant to this Agreement shall be in writing and shall be deemed to have been duly and sufficiently given if (i) personally delivered with proof of delivery thereof (any notice so delivered shall be deemed to have been received at the time so delivered), or (ii) sent by a national overnight courier service (such as FedEx) designating earliest available delivery (any notice so delivered shall be deemed to have been received on the next business day following receipt by the courier), or (c) sent by United States registered or certified mail, return receipt requested, postage prepaid, at a post office regularly maintained by the United States Postal Service (any notice so sent shall be deemed to have been received on the date of delivery as confirmed by the return receipt), addressed to the respective parties as follows:

(i) Notices intended for the Senior Mortgagee shall be addressed to the address set forth in the Senior Mortgage for notices to the Senior Mortgagee.

(ii) Notices intended for the Subordinate Mortgagee shall be addressed to:

Any party, by notice given pursuant to this Section, may change the person or persons and/or address or addresses, or designate an additional person or persons or an additional address or addresses, for its notices, but notice of a change of address shall only be effective upon receipt. Neither party shall refuse or reject delivery of any notice given in accordance with this Section.

(e) Nothing herein or in any of the Senior Loan Documents or Subordinate Loan Documents shall be deemed to constitute the Senior Mortgagee as a joint venturer or partner of the Subordinate Mortgagee.

(f) Upon notice from the Senior Mortgagee from time to time, the Subordinate Mortgagee shall execute and deliver such additional Instruments and documents, and shall take such actions, as are required by the Senior Mortgagee in order to further evidence or effectuate the provisions and intent of this Agreement.

(g) This Agreement shall be governed by the laws of the State in which the Land is located.

(h) If any one or more of the provisions contained in this Agreement, or any application thereof, shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein, and any other application thereof, shall not in any way be affected or impaired thereby.

(i) The term of this Agreement shall commence on the date hereof and shall continue until the earliest to occur of the following events: (i) the payment of all of the Senior Indebtedness; provided that this Agreement shall be reinstated in the event any payment on account of the Senior Indebtedness is avoided, set aside, rescinded or repaid by the Senior Mortgagee as described in Section 2(e) hereof; (ii) the payment of all of the Subordinate Indebtedness other than by reason of payments which the Subordinate Mortgagee is obligated to remit to the Senior Mortgagee pursuant to this Agreement; (iii) the acquisition by the Senior Mortgagee or by a third party purchaser, of title to the Land and Improvements pursuant to a foreclosure of, or trustee's sale or other exercise of a power of sale under, the Senior Mortgage; or (iv) without limiting the provisions of Section 5(d), the acquisition by the Subordinate Mortgagee, with the prior written consent of the Senior Mortgagee, of title to the Land and Improvements subject to the Senior Mortgage pursuant to a foreclosure, or a deed in lieu of foreclosure, of (or the exercise of a power of sale under) the Subordinate Mortgage.

(j) No failure or delay on the part of any party hereto in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder.

(k) Each party hereto acknowledges that in the event any party fails to comply with its obligations hereunder, the other parties shall have all rights available at law and in equity, including the right to obtain specific performance of the obligations of such defaulting party and injunctive relief.

(l) No party other than the Senior Mortgagee and the Subordinate Mortgagee shall have any rights under, or be deemed a beneficiary of any of the provisions of, this Agreement.

(m) No amendment, supplement, modification, waiver or termination of this Agreement shall be effective against any party unless such amendment, supplement, modification, waiver or termination is contained in a writing signed by such party.

(n) This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

[BALANCE OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the day and year first above written.

SENIOR MORTGAGEE:

FEDERAL HOME LOAN MORTGAGE CORPORATION, a shareholder-owned, government-sponsored enterprise organized and existing under the laws of the United States

By: _____
Name:
Title:

SUBORDINATE MORTGAGEE:

[GOVERNMENTAL ENTITY]

By: _____
Name:
Title:

[add appropriate acknowledgments/witnesses]

CONSENT OF BORROWER

Borrower hereby acknowledges receipt of a copy of this Subordination Agreement, dated _____, 20__, by and between Federal Home Loan Mortgage Corporation and [Name of Subordinate Mortgagee] and consents to the agreement of the parties set forth herein.

BORROWER

By: _____

Name: _____

Title: _____

Date: _____

[add appropriate acknowledgments/witnesses]

EXHIBIT A

LEGAL DESCRIPTION

Lots 1 and 2 of Murray Mission Unit No. 10 in the City of Oceanside, County of San Diego, State of California, according to Map thereof No. 11270, filed in the Office of the County Recorder of San Diego County on June 28, 1985.

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

**MULTIFAMILY DEED OF TRUST,
ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND FIXTURE FILING
(CALIFORNIA)
(FOR USE WITH BOND ENHANCEMENTS - REVISION DATE 6-15-2006)
(Bond)**

ATTENTION COUNTY RECORDER: THIS INSTRUMENT IS INTENDED TO BE EFFECTIVE AS A FINANCING STATEMENT FILED AS A FIXTURE FILING PURSUANT TO SECTION 9502 OF THE CALIFORNIA COMMERCIAL CODE. PORTIONS OF THE GOODS COMPRISING A PART OF THE MORTGAGED PROPERTY ARE OR ARE TO BECOME FIXTURES RELATED TO THE LAND DESCRIBED IN EXHIBIT A HERETO. THIS INSTRUMENT IS TO BE FILED FOR RECORD IN THE RECORDS OF THE COUNTY WHERE DEEDS OF TRUST ON REAL PROPERTY ARE RECORDED AND SHOULD BE INDEXED AS BOTH A DEED OF TRUST AND AS A FINANCING STATEMENT COVERING FIXTURES. THE ADDRESSES OF BORROWER (DEBTOR) AND LENDER (SECURED PARTY) ARE SPECIFIED IN THE FIRST PARAGRAPH ON PAGE 1 OF THIS INSTRUMENT.

**MULTIFAMILY DEED OF TRUST,
ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND
FIXTURE FILING
(CALIFORNIA)
(FOR USE WITH BOND ENHANCEMENTS - REVISION DATE 6-15-2006)**

THIS MULTIFAMILY DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING (the '**Instrument**') is made to be effective this 1st day of February, 2009, by **SHADOW WAY APARTMENTS, LP**, a limited partnership organized and existing under the laws of California, whose address is 26522 La Alameda, Suite 260, Mission Viejo, California 92691, as trustor ('**Borrower**'), to _____, as trustee ('**Trustee**'), for the benefit of **THE CITY OF OCEANSIDE**, a municipal corporation, organized and existing under the laws of the State of California, whose address is 321 N. Nevada Street, Oceanside, California 92054, Attn: Director of Housing and Neighborhood Services, as beneficiary ('**Lender**'). Borrower's organizational identification number, if applicable, is 200818000006.

Borrower, in consideration of the Indebtedness and the trust created by this Instrument, irrevocably grants, conveys and assigns to Trustee, in trust, with power of sale, the Mortgaged Property, including the Land located in San Diego County, State of California and described in Exhibit A attached to this Instrument.

TO SECURE TO LENDER the payment of the Indebtedness, evidenced by Borrower's Bond Mortgage Note (the "**Note**") payable to Issuer, dated as of the date of this Instrument, and maturing on _____ (the "**Maturity Date**") in the principal amount of \$15,000,000.00, and all renewals, extensions and modifications of the Indebtedness, and the performance of the covenants and agreements of Borrower contained in the Loan Documents.

Borrower represents and warrants that Borrower is lawfully seized of the Mortgaged Property and has the right, power and authority to grant, convey and assign the Mortgaged Property, and that the Mortgaged Property is unencumbered, except as shown on the schedule of exceptions to coverage in the title policy issued to and accepted by Lender contemporaneously with the execution and recordation of this Instrument and insuring Lender's interest in the Mortgaged Property (the '**Schedule of Title Exceptions**'). Borrower covenants that Borrower will warrant and defend generally the title to the Mortgaged Property against all claims and demands, subject to any easements and restrictions listed in the Schedule of Title Exceptions.

**UNIFORM COVENANTS
(FOR USE WITH BOND ENHANCEMENTS - REVISION DATE 09-15-2008)
BOND MORTGAGE**

Covenants. In consideration of the mutual promises set forth in this Instrument, Borrower and Lender covenant and agree as follows:

1. **DEFINITIONS.** The following terms, when used in this Instrument (including when used in the above recitals), shall have the meanings set forth below in this Section 1. Any term used in this Agreement and not defined shall have the meaning given to that term in the Indenture.

(a) **“Alternate Credit Facility”** shall have the meaning assigned to that term in the Indenture.

(b) **“Attorneys’ Fees and Costs”** means (i) fees and out-of-pocket costs of Lender’s attorneys, as applicable, including costs of Lender’s in-house counsel, support staff costs, costs of preparing for litigation, computerized research, telephone and facsimile transmission expenses, mileage, deposition costs, postage, duplicating, process service, videotaping and similar costs and expenses; (ii) costs and fees of expert witnesses, including appraisers; and (iii) investigatory fees.

(c) **“Bonds”** means the Variable Rate Demand Multifamily Housing Revenue Bonds (Shadow Way Apartments Project) Series 2009 issued pursuant to the provisions of the Indenture.

(d) **“Bond Financing Documents”** shall have the meaning assigned to that term in the Indenture.

(e) **“Bond Mortgage Loan Documents”** means the Financing Agreement, the Bond Mortgage Note, this Instrument, the Regulatory Agreement and any other documents now or in the future executed by Borrower, any guarantor or any other person in connection with the loan evidenced by the Bond Mortgage Note, as such documents may be amended from time to time.

(f) **“Bond Mortgage Note”** means the Bond Mortgage Note (described on page 1 of this Instrument, including all schedules, riders, allonges and addenda, as such note may be amended from time to time.

(g) **“Borrower”** means all persons or entities identified as “Borrower” in the first paragraph of this Instrument, together with their successors and assigns.

(h) **“Business Day”** means any day other than (i) a Saturday, (ii) a Sunday, (iii) a day on which the Federal Reserve Bank of New York (or other agent acting as the Credit Facility Provider’s fiscal agent identified to the Trustee) is closed, (iv) a day on which the Principal Office of the Credit Facility Provider is closed or (v) a day on which (a) banking institutions in the City of New York or in the city in which the Principal Office of the Trustee, the Principal Office of the Tender Agent, or the Principal Office of the Remarketing Agent or the Principal Office of the Credit Facility Provider is located are closed or (b) the New York Stock Exchange is closed.

(i) **“Controlling Entity”** means an entity which owns, directly or indirectly through one or more intermediaries, (i) a general partnership interest or a Controlling Interest of the limited partnership interests in Borrower (if Borrower is a partnership or joint venture), (ii) a manager’s interest in Borrower or a Controlling Interest of the ownership or membership interests in Borrower (if Borrower is a limited liability company), (iii) a Controlling Interest of any class of voting stock of Borrower (if Borrower is a corporation), (iv) a trustee’s interest or a Controlling Interest of the beneficial interests in Borrower (if Borrower is a trust), or (v) a

managing partner's interest or a Controlling Interest of the partnership interests in Borrower (if Borrower is a limited liability partnership).

(j) “**Controlling Interest**” means (i) 51 percent or more of the ownership interests in an entity, or (ii) a percentage ownership interest in an entity of less than 51 percent, if the owner(s) of that interest actually direct(s) the business and affairs of the entity without the requirement of consent of any other party. The Controlling Interest shall be deemed to be 51 percent unless otherwise stated in Exhibit B.

(k) “**Credit Enhancement Agreement**” means the Credit Enhancement Agreement between Freddie Mac and the Indenture Trustee, under which the Freddie Mac has agreed to provide for the payment of principal of and interest on the Bonds when due and payable with respect to the Bond Mortgage Loan and (if applicable) the payment of the Purchase Price of the Bonds during any period the Bonds bear interest at a variable rate, to the extent there are insufficient remarketing proceeds to pay the Purchase Price of the Bonds tendered for purchase while the Bonds bear interest at a variable rate.

(l) “**Credit Facility**” the Credit Enhancement Agreement or any Alternate Credit Facility at that time in effect.

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

(n) “**Environmental Permit**” means any permit, license, or other authorization issued under any Hazardous Materials Law with respect to any activities or businesses conducted on or in relation to the Mortgaged Property.

(o) “**Event of Default**” means the occurrence of any event listed in Section 22.

(p) “**Financing Agreement**” means the Financing Agreement among Issuer, Indenture Trustee and Borrower, as the same may have been from time to time amended or modified, together with any other instruments supplemental thereto, pursuant to which the Issuer has used the proceeds of the Bonds to make or acquire, as applicable, the Bond Mortgage Loan to Borrower in connection with the Project.

(q) “**Fixtures**” means all property owned by Borrower which is so attached to the Land or the Improvements as to constitute a fixture under applicable law, including: machinery, equipment, engines, boilers, incinerators, installed building materials; systems and equipment for the purpose of supplying or distributing heating, cooling, electricity, gas, water, air, or light; antennas, cable, wiring and conduits used in connection with radio, television, security, fire prevention, or fire detection or otherwise used to carry electronic signals; telephone systems and equipment; elevators and related machinery and equipment; fire detection, prevention and extinguishing systems and apparatus; security and access control systems and apparatus; plumbing systems; water heaters, ranges, stoves, microwave ovens, refrigerators, dishwashers, garbage disposers, washers, dryers and other appliances; light fixtures, awnings, storm windows and storm doors; pictures, screens, blinds, shades, curtains and curtain rods; mirrors; cabinets, paneling, rugs and floor and wall coverings; fences, trees and plants; swimming pools; and exercise equipment.

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

(s) “**Governmental Authority**” means any board, commission, department or body of any municipal, county, state or federal governmental unit, or any subdivision of any of them, that has or acquires jurisdiction over the Mortgaged Property or the use, operation or improvement of the Mortgaged Property.

(t) “**Hazard Insurance**” is defined in Section 19.

(u) “**Hazardous Materials**” means petroleum and petroleum products and compounds containing them, including gasoline, diesel fuel and oil; explosives; flammable materials; radioactive materials; polychlorinated biphenyls (“PCBs”) and compounds containing them; lead and lead-based paint; asbestos or asbestos-containing materials in any form that is or could become friable; underground or above-ground storage tanks, whether empty or containing any substance; any substance the presence of which on the Mortgaged Property is prohibited by any federal, state or local authority; any substance that requires special handling and any other material or substance now or in the future that (i) is defined as a “hazardous substance,” “hazardous material,” “hazardous waste,” “toxic substance,” “toxic pollutant,” “contaminant,” or “pollutant” by or within the meaning of any Hazardous Materials Law, or (ii) is regulated in any way by or within the meaning of any Hazardous Materials Law.

(v) “**Hazardous Materials Laws**” means all federal, state, and local laws, ordinances and regulations and standards, rules, policies and other governmental requirements, administrative rulings and court judgments and decrees in effect now or in the future and including all amendments, that relate to Hazardous Materials or the protection of human health or the environment and apply to Borrower or to the Mortgaged Property. Hazardous Materials Laws include, but are not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, *et seq.*, the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901, *et seq.*, the Toxic Substance Control Act, 15 U.S.C. Section 2601, *et seq.*, the Clean Water Act, 33 U.S.C. Section 1251, *et seq.*, and the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101 *et seq.*, and their state analogs.

(w) “**Impositions**” and “**Imposition Deposits**” are defined in Section 7(a).

(x) “**Improvements**” means the buildings, structures, improvements, and alterations now constructed or at any time in the future constructed or placed upon the Land, including any future replacements and additions.

(y) “**Indebtedness**” means the principal of, interest on, and all other amounts due at any time under the Bond Mortgage Note, this Instrument, the Financing Agreement, or any other Bond Mortgage Loan Document, including prepayment premiums, late charges, default interest, and advances as provided in Section 12 to protect the security of this Instrument.

(z) “**Indenture**” means the trust indenture, indenture of trust or bond resolution dated as of the date hereof between the Issuer and the Indenture Trustee, as the same may have been from time to time amended or modified, together with any other instruments supplemental thereto, pursuant to which the Issuer has issued the Bonds.

(aa) “**Indenture Trustee**” means The Bank of New York Mellon Trust Company, N.A., a national banking association, duly organized and existing under the laws of the United States and its successors as trustee under the Indenture.

(bb) “**Initial Owners**” means, with respect to Borrower or any other entity, the persons or entities that (i) on the Closing Date, or (ii) on the date of a Transfer to which Lender has consented, own in the aggregate 100 percent of the ownership interests in Borrower or that entity.

(cc) “**Issuer**” means The City of Oceanside, a municipal corporation duly organized and existing under the laws of the State of California and its successors.

(dd) “**Land**” means the land described in Exhibit A.

(ee) “**Leases**” means all present and future leases, subleases, licenses, concessions or grants or other possessory interests now or hereafter in force, whether oral or written, covering or affecting the Mortgaged Property, or any portion of the Mortgaged Property (including proprietary leases or occupancy agreements if Borrower is a cooperative housing corporation), and all modifications, extensions or renewals.

(ff) “**Lender**” means the entity identified as "Lender" in the first paragraph of this Instrument, or any subsequent holder of the Bond Mortgage Note.

(gg) “**Mortgaged Property**” means all of Borrower’s present and future right, title and interest in and to all of the following:

- (i) the Land;
- (ii) the Improvements;
- (iii) the Fixtures;
- (iv) the Personalty;
- (v) all current and future rights, including air rights, development rights, zoning rights and other similar rights or interests, easements, tenements, rights-of-way, strips and gores of land, streets, alleys, roads, sewer rights, waters, watercourses, and appurtenances related to or benefiting the Land or the Improvements, or both, and all rights-of-way, streets, alleys and roads which may have been or may in the future be vacated;
- (vi) all proceeds paid or to be paid by any insurer of the Land, the Improvements, the Fixtures, the Personalty or any other part of the Mortgaged Property;
- (vii) all awards, payments and other compensation made or to be made by any municipal, state or federal authority with respect to the Land, the Improvements, the Fixtures, the Personalty or any other part of the Mortgaged Property, including any awards or settlements resulting from condemnation proceedings or the total or partial taking of the Land, the Improvements, the Fixtures, the Personalty or any other part of the

Mortgaged Property under the power of eminent domain or otherwise and including any conveyance in lieu thereof;

- (viii) all contracts, options and other agreements for the sale of the Land, the Improvements, the Fixtures, the Personalty or any other part of the Mortgaged Property entered into by Borrower now or in the future, including cash or securities deposited to secure performance by parties of their obligations;
 - (ix) all proceeds from the conversion, voluntary or involuntary, of any of the above into cash or liquidated claims, and the right to collect such proceeds;
 - (x) all Rents and Leases;
 - (xi) all earnings, royalties, accounts receivable, issues and profits from the Land, the Improvements or any other part of the Mortgaged Property, and all undisbursed proceeds of the loan secured by this Instrument and, if Borrower is a cooperative housing corporation, maintenance charges or assessments payable by shareholders or residents;
 - (xii) all Imposition Deposits;
 - (xiii) all refunds or rebates of Impositions by any municipal, state or federal authority or insurance company (other than refunds applicable to periods before the real property tax year in which this Instrument is dated);
 - (xiv) all tenant security deposits which have not been forfeited by any tenant under any Lease and any bond or other security in lieu of such deposits; and
 - (xv) all names under or by which any of the above Mortgaged Property may be operated or known, and all trademarks, trade names, and goodwill relating to any of the Mortgaged Property.
- (hh) **“O&M Program”** is defined in Section 18(d).
- (ii) **“Permitted Encumbrances”** means any easements, encumbrances or restrictions listed on the Schedule of Exceptions and the Reimbursement Mortgage.
- (jj) **“Personalty”** means all:
- (i) accounts (including deposit accounts) of Borrower related to the Mortgaged Property;
 - (ii) equipment and inventory owned by Borrower, which are used now or in the future in connection with the ownership, management or operation of the Land or Improvements or are located on the Land or Improvements, including furniture, furnishings, machinery, building materials, goods, supplies, tools, books, records (whether in written or electronic form), computer equipment (hardware and software);

- (iii) other tangible personal property owned by Borrower which is used now or in the future in connection with the ownership, management or operation of the Land or Improvements or is located on the Land or in the Improvements, including ranges, stoves, microwave ovens, refrigerators, dishwashers, garbage disposers, washers, dryers and other appliances (other than Fixtures);
 - (iv) any operating agreements relating to the Land or the Improvements;
 - (v) any surveys, plans and specifications and contracts for architectural, engineering and construction services relating to the Land or the Improvements;
 - (vi) all other intangible property, general intangibles and rights relating to the operation of, or used in connection with, the Land or the Improvements, including all governmental permits relating to any activities on the Land and including subsidy or similar payments received from any sources, including a governmental authority; and
 - (vii) any rights of Borrower in or under letters of credit.
- (kk) **“Property Jurisdiction”** is defined in Section 30(a).

(ll) **“Regulatory Agreement”** means the Regulatory Agreement among the Issuer, the Borrower and Indenture Trustee, regulating or restricting the use or manner of operation of the Mortgaged Property and containing requirements that specified percentages of the dwelling units in the Mortgaged Property be occupied by tenants whose incomes are below specified levels.

(mm) **“Reimbursement Agreement”** means the Reimbursement and Security Agreement executed by the Borrower and Freddie Mac, dated of even date of this Security Instrument, as under which the Borrower covenants and agrees to reimburse Freddie Mac for certain amounts paid by Freddie Mac under the Credit Enhancement Agreement and to pay certain other fees, costs and amounts, as set forth therein, as the same may be amended from time to time.

(nn) **“Reimbursement Mortgage”** means the Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing granting a second priority mortgage and security interest in the Project to Freddie Mac to secure the repayment of the Borrower’s obligations under the Reimbursement Security Documents.

(oo) **“Reimbursement Security Documents”** shall have the meaning given to that term in the Reimbursement Agreement.

(pp) **“Rents”** means all rents (whether from residential or non-residential space), revenues and other income of the Land or the Improvements, parking fees, laundry and vending machine income and fees and charges for food, health care and other services provided at the Mortgaged Property, whether now due, past due, or to become due, and deposits forfeited by tenants.

(qq) “**Taxes**” means all taxes, assessments, vault rentals and other charges, if any, whether general, special or otherwise, including all assessments for schools, public betterments and general or local improvements, which are levied, assessed or imposed by any public authority or quasi-public authority, and which, if not paid, will become a lien on the Land or the Improvements.

(rr) “**Transfer**” is defined in Section 21.

(ss) “**Uniform Commercial Code**” means the Uniform Commercial Code, as in effect from time to time in the State of California or any other applicable jurisdiction.

2. UNIFORM COMMERCIAL CODE SECURITY AGREEMENT.

(a) This Instrument is also a security agreement under the Uniform Commercial Code for any of the Mortgaged Property which, under applicable law, may be subjected to a security interest under the Uniform Commercial Code, whether such Mortgaged Property is owned now or acquired in the future, and all products and cash and non-cash proceeds thereof (collectively, “**UCC Collateral**”), and Borrower hereby grants to Lender a security interest in the UCC Collateral. Borrower hereby authorizes Lender to prepare and file financing statements, continuation statements and financing statement amendments in such form as Lender may require to perfect or continue the perfection of this security interest and Borrower agrees, if Lender so requests, to execute and deliver to Lender such financing statements, continuation statements and amendments. Borrower shall pay all filing costs and all costs and expenses of any record searches for financing statements and/or amendments that Lender may require. Without the prior written consent of Lender, Borrower shall not create or permit to exist any other lien or security interest in any of the UCC Collateral except pursuant to the Reimbursement Mortgage.

(b) Unless Borrower gives Notice to Lender within 30 days after the occurrence of any of the following, and executes and delivers to Lender modifications or supplements of this Instrument (and any financing statement which may be filed in connection with this Instrument) as Lender may require, Borrower shall not (i) change its name, identity, structure or jurisdiction of organization; (ii) change the location of its place of business (or chief executive office if more than one place of business); or (iii) add to or change any location at which any of the Mortgaged Property is stored, held or located.

(c) If an Event of Default has occurred and is continuing, Lender shall have the remedies of a secured party under the Uniform Commercial Code, in addition to all remedies provided by this Instrument or existing under applicable law. In exercising any remedies, Lender may exercise its remedies against the UCC Collateral separately or together, and in any order, without in any way affecting the availability of Lender’s other remedies.

(d) This Instrument constitutes a financing statement with respect to any part of the Mortgaged Property that is or may become a Fixture, if permitted by applicable law.

3. ASSIGNMENT OF RENTS; APPOINTMENT OF RECEIVER; LENDER IN POSSESSION.

(a) As part of the consideration for the Indebtedness, Borrower absolutely and unconditionally assigns and transfers to Lender all Rents. It is the intention of Borrower to establish a present, absolute and irrevocable transfer and assignment to Lender of all Rents and

to authorize and empower Lender to collect and receive all Rents without the necessity of further action on the part of Borrower. Promptly upon request by Lender, Borrower agrees to execute and deliver such further assignments of Rents as Lender may from time to time require. Borrower and Lender intend this assignment of Rents to be immediately effective and to constitute an absolute present assignment and not an assignment for additional security only. For purposes of giving effect to this absolute assignment of Rents, and for no other purpose, Rents shall not be deemed to be a part of the Mortgaged Property. However, if this present, absolute and unconditional assignment of Rents is not enforceable by its terms under the laws of the Property Jurisdiction, then the Rents shall be included as a part of the Mortgaged Property and it is the intention of Borrower that in this circumstance this Instrument create and perfect a lien on Rents in favor of Lender, which lien shall be effective as of the date of this Instrument.

(b) After the occurrence of an Event of Default, Borrower authorizes Lender to collect, sue for and compromise Rents and directs each tenant of the Mortgaged Property to pay all Rents to, or as directed by, Lender. However, until the occurrence of an Event of Default, Lender hereby grants to Borrower a revocable license to collect and receive all Rents, to hold all Rents in trust for the benefit of Lender and to apply all Rents to pay the Indebtedness, including Imposition Deposits, and to pay the current costs and expenses of managing, operating and maintaining the Mortgaged Property, including utilities, Taxes and insurance premiums (to the extent not included in Imposition Deposits), tenant improvements and other capital expenditures. So long as no Event of Default has occurred and is continuing, the Rents remaining after application pursuant to the preceding sentence may be retained by Borrower free and clear of, and released from, Lender's rights with respect to Rents under this Instrument. From and after the occurrence of an Event of Default, and without the necessity of Lender entering upon and taking and maintaining control of the Mortgaged Property directly, or by a receiver, Borrower's license to collect Rents shall automatically terminate and Lender shall without Notice be entitled to all Rents as they become due and payable, including Rents then due and unpaid. Borrower shall pay to Lender upon demand all Rents to which Lender is entitled. At any time on or after the date of Lender's demand for Rents, (i) Lender may give, and Borrower hereby irrevocably authorizes Lender to give, notice to all tenants of the Mortgaged Property instructing them to pay all Rents to Lender, (ii) no tenant shall be obligated to inquire further as to the occurrence or continuance of an Event of Default, and (iii) no tenant shall be obligated to pay to Borrower any amounts which are actually paid to Lender in response to such a notice. Any such notice by Lender shall be delivered to each tenant personally, by mail or by delivering such demand to each rental unit. Borrower shall not interfere with and shall cooperate with Lender's collection of such Rents.

(c) Borrower represents and warrants to Lender that Borrower has not executed any prior assignment of Rents (other than an assignment of Rents that secures the Reimbursement Mortgage or secures indebtedness that will be discharged with the proceeds of the loan evidenced by the Bond Mortgage Note), that Borrower has not performed, and Borrower covenants and agrees that it will not perform, any acts and has not executed, and shall not execute, any instrument which would prevent Lender from exercising its rights under this Section 3, and that at the time of execution of this Instrument there has been no anticipation or prepayment of any Rents for more than two months prior to the due dates of such Rents). Borrower shall not collect or accept payment of any Rents more than two months prior to the due dates of such Rents.

(d) If an Event of Default has occurred and is continuing, Lender may, regardless of the adequacy of Lender's security or the solvency of Borrower and even in the absence of waste, enter upon and take and maintain full control of the Mortgaged Property in order to perform all

acts that Lender in its discretion determines to be necessary or desirable for the operation and maintenance of the Mortgaged Property, including the execution, cancellation or modification of Leases, the collection of all Rents, the making of repairs to the Mortgaged Property and the execution or termination of contracts providing for the management, operation or maintenance of the Mortgaged Property, for the purposes of enforcing the assignment of Rents pursuant to Section 3(a), protecting the Mortgaged Property or the security of this Instrument, or for such other purposes as Lender in its discretion may deem necessary or desirable. Alternatively, if an Event of Default has occurred and is continuing, regardless of the adequacy of Lender's security, without regard to Borrower's solvency and without the necessity of giving prior notice (oral or written) to Borrower, Lender may apply to any court having jurisdiction for the appointment of a receiver for the Mortgaged Property to take any or all of the actions set forth in the preceding sentence. If Lender elects to seek the appointment of a receiver for the Mortgaged Property at any time after an Event of Default has occurred and is continuing, Borrower, by its execution of this Instrument, expressly consents to the appointment of such receiver, including the appointment of a receiver *ex parte* if permitted by applicable law. Lender or the receiver, as the case may be, shall be entitled to receive a reasonable fee for managing the Mortgaged Property. Immediately upon appointment of a receiver or immediately upon the Lender's entering upon and taking possession and control of the Mortgaged Property, Borrower shall surrender possession of the Mortgaged Property to Lender or the receiver, as the case may be, and shall deliver to Lender or the receiver, as the case may be, all documents, records (including records on electronic or magnetic media), accounts, surveys, plans, and specifications relating to the Mortgaged Property and all security deposits and prepaid Rents. In the event Lender takes possession and control of the Mortgaged Property, Lender may exclude Borrower and its representatives from the Mortgaged Property. Borrower acknowledges and agrees that the exercise by Lender of any of the rights conferred under this Section 3 shall not be construed to make Lender a mortgagee-in-possession of the Mortgaged Property so long as Lender has not itself entered into actual possession of the Land and Improvements.

(e) If Lender enters the Mortgaged Property, Lender shall be liable to account only to Borrower and only for those Rents actually received. Except to the extent of Lender's gross negligence or willful misconduct, Lender shall not be liable to Borrower, anyone claiming under or through Borrower or anyone having an interest in the Mortgaged Property, by reason of any act or omission of Lender under Section 3(d), and Borrower hereby releases and discharges Lender from any such liability to the fullest extent permitted by law.

(f) If the Rents are not sufficient to meet the costs of taking control of and managing the Mortgaged Property and collecting the Rents, any funds expended by Lender for such purposes shall become an additional part of the Indebtedness as provided in Section 12.

(g) Any entering upon and taking of control of the Mortgaged Property by Lender or the receiver, as the case may be, and any application of Rents as provided in this Instrument shall not cure or waive any Event of Default or invalidate any other right or remedy of Lender under applicable law or provided for in this Instrument.

4. ASSIGNMENT OF LEASES; LEASES AFFECTING THE MORTGAGED PROPERTY.

(a) As part of the consideration for the Indebtedness, Borrower absolutely and unconditionally assigns and transfers to Lender all of Borrower's right, title and interest in, to and under the Leases, including Borrower's right, power and authority to modify the terms of any such Lease, or extend or terminate any such Lease. It is the intention of Borrower to

establish a present, absolute and irrevocable transfer and assignment to Lender of all of Borrower's right, title and interest in, to and under the Leases. Borrower and Lender intend this assignment of the Leases to be immediately effective and to constitute an absolute present assignment and not an assignment for additional security only. For purposes of giving effect to this absolute assignment of the Leases, and for no other purpose, the Leases shall not be deemed to be a part of the Mortgaged Property. However, if this present, absolute and unconditional assignment of the Leases is not enforceable by its terms under the laws of the Property Jurisdiction, then the Leases shall be included as a part of the Mortgaged Property and it is the intention of Borrower that in this circumstance this Instrument create and perfect a lien on the Leases in favor of Lender, which lien shall be effective as of the date of this Instrument.

(b) Until Lender gives Notice to Borrower of Lender's exercise of its rights under this Section 4, Borrower shall have all rights, power and authority granted to Borrower under any Lease (except as otherwise limited by this Section or any other provision of this Instrument), including the right, power and authority to modify the terms of any Lease or extend or terminate any Lease. Upon the occurrence of an Event of Default, the permission given to Borrower pursuant to the preceding sentence to exercise all rights, power and authority under Leases shall automatically terminate. Borrower shall comply with and observe Borrower's obligations under all Leases, including Borrower's obligations pertaining to the maintenance and disposition of tenant security deposits.

(c) Borrower acknowledges and agrees that the exercise by Lender, either directly or by a receiver, of any of the rights conferred under this Section 4 shall not be construed to make Lender a mortgagee-in-possession of the Mortgaged Property so long as Lender has not itself entered into actual possession of the Land and the Improvements. The acceptance by Lender of the assignment of the Leases pursuant to Section 4(a) shall not at any time or in any event obligate Lender to take any action under this Instrument or to expend any money or to incur any expenses. Except to the extent of Lender's gross negligence or willful misconduct, Lender shall not be liable in any way for any injury or damage to person or property sustained by any person or persons, firm or corporation in or about the Mortgaged Property. Prior to Lender's actual entry into and taking possession of the Mortgaged Property, Lender shall not (i) be obligated to perform any of the terms, covenants and conditions contained in any Lease (or otherwise have any obligation with respect to any Lease); (ii) be obligated to appear in or defend any action or proceeding relating to the Lease or the Mortgaged Property; or (iii) be responsible for the operation, control, care, management or repair of the Mortgaged Property or any portion of the Mortgaged Property. The execution of this Instrument by Borrower shall constitute conclusive evidence that all responsibility for the operation, control, care, management and repair of the Mortgaged Property is and shall be that of Borrower, prior to such actual entry and taking of possession.

(d) Upon delivery of Notice by Lender to Borrower of Lender's exercise of Lender's rights under this Section 4 at any time after the occurrence of an Event of Default, and without the necessity of Lender entering upon and taking and maintaining control of the Mortgaged Property directly, by a receiver, or by any other manner or proceeding permitted by the laws of the Property Jurisdiction, Lender immediately shall have all rights, powers and authority granted to Borrower under any Lease, including the right, power and authority to modify the terms of any such Lease, or extend or terminate any such Lease.

(e) Borrower shall, promptly upon Lender's request, deliver to Lender an executed copy of each residential Lease then in effect. All Leases for residential dwelling units shall be on forms approved by Lender, shall be for initial terms of at least six months and not more than two

years, and shall not include options to purchase. If Borrower is a cooperative housing corporation, association or other validly organized entity under municipal, county, state or federal law, notwithstanding anything to the contrary contained in this subsection, so long as Borrower is not in breach of any covenant of this Instrument, Lender hereby consents to the execution of leases of apartments for a term in excess of two years from Borrower to a tenant shareholder of Borrower, to the surrender or termination of such leases of apartments where the surrendered or terminated lease is immediately replaced or where Borrower makes its best efforts to secure such immediate replacement by a newly executed lease of the same apartment to a tenant shareholder of Borrower. However, no consent is hereby given by Lender to any execution, surrender, termination or assignment of a lease under terms that would waive or reduce the obligation of the resulting tenant shareholder under such lease to pay cooperative assessments in full when due or the obligation of the former tenant shareholder to pay any unpaid portion of such assessments.

(f) Except for laundry facilities, telephone or internet access services, and cable television services for tenants on market terms and conditions, Borrower shall not lease any portion of the Mortgaged Property for non-residential use except with the prior written consent of Lender and Lender's prior written approval of the Lease agreement. Borrower shall not modify the terms of, or extend or terminate, any Lease for non-residential use (including any Lease in existence on the date of this Instrument) without the prior written consent of Lender. However, Lender's consent shall not be required for the modification or extension of a non-residential Lease if such modification or extension is on terms at least as favorable to Borrower as those customary at that time in the applicable market and the income from the extended or modified Lease will not be less than the income received from the Lease as of the date of this Instrument. Borrower shall, without request by Lender, deliver an executed copy of each non-residential Lease to Lender promptly after such Lease is signed. All non-residential Leases, including renewals or extensions of existing Leases, shall specifically provide that (i) such Leases are subordinate to the lien of this Instrument; (ii) the tenant shall attorn to Lender and any purchaser at a foreclosure sale, such attornment to be self-executing and effective upon acquisition of title to the Mortgaged Property by any purchaser at a foreclosure sale or by Lender in any manner; (iii) the tenant agrees to execute such further evidences of attornment as Lender or any purchaser at a foreclosure sale may from time to time request; (iv) the Lease shall not be terminated by foreclosure or any other transfer of the Mortgaged Property; (v) after a foreclosure sale of the Mortgaged Property, Lender or any other purchaser at such foreclosure sale may, at Lender's or such purchaser's option, accept or terminate such Lease; and (vi) the tenant shall, upon receipt after the occurrence of an Event of Default of a written request from Lender, pay all Rents payable under the Lease to Lender.

(g) Borrower shall not receive or accept Rent under any Lease (whether residential or non-residential) for more than two months in advance.

5. PAYMENT OF INDEBTEDNESS; PERFORMANCE UNDER BOND MORTGAGE LOAN DOCUMENTS. Borrower shall pay the Indebtedness when due in accordance with the terms of the Bond Mortgage Note and the other Bond Mortgage Loan Documents and shall perform, observe and comply with all other provisions of the Bond Mortgage Note and the other Bond Mortgage Loan Documents.

6. EXCULPATION. Borrower's personal liability for payment of the Indebtedness and for performance of the other obligations to be performed by it under this Instrument is limited in the manner, and to the extent, provided in the Bond Mortgage Note.

7. INTENTIONALLY OMITTED.

8. INTENTIONALLY OMITTED.

9. APPLICATION OF PAYMENTS. If at any time Lender receives, from Borrower or otherwise, any amount applicable to the Indebtedness which is less than all amounts due and payable at such time, then Lender may apply that payment to amounts then due and payable in any manner and in any order determined by Lender, in Lender's discretion. Neither Lender's acceptance of an amount that is less than all amounts then due and payable nor Lender's application of such payment in the manner authorized shall constitute or be deemed to constitute either a waiver of the unpaid amounts or an accord and satisfaction. Notwithstanding the application of any such amount to the Indebtedness, Borrower's obligations under this Instrument, the Bond Mortgage Note and the other Bond Mortgage Loan Documents shall remain unchanged.

10. COMPLIANCE WITH LAWS. Borrower shall comply with all laws, ordinances, regulations and requirements of any Governmental Authority and all recorded lawful covenants and agreements relating to or affecting the Mortgaged Property, including all laws, ordinances, regulations, requirements and covenants pertaining to health and safety, construction of improvements on the Mortgaged Property, fair housing, disability accommodation, zoning and land use, and Leases. Borrower also shall comply with all applicable laws that pertain to the maintenance and disposition of tenant security deposits. Borrower shall at all times maintain records sufficient to demonstrate compliance with the provisions of this Section 10. Borrower shall take appropriate measures to prevent, and shall not engage in or knowingly permit, any illegal activities at the Mortgaged Property that could endanger tenants or visitors, result in damage to the Mortgaged Property, result in forfeiture of the Mortgaged Property, or otherwise materially impair the lien created by this Instrument or Lender's interest in the Mortgaged Property. Borrower represents and warrants to Lender that no portion of the Mortgaged Property has been or will be purchased with the proceeds of any illegal activity.

11. USE OF PROPERTY. Unless required by applicable law, Borrower shall not (a) allow changes in the use for which all or any part of the Mortgaged Property is being used at the time this Instrument was executed, except for any change in use approved by Lender, (b) convert any individual dwelling units or common areas to commercial use, (c) initiate a change in the zoning classification of the Mortgaged Property or acquiesce without Notice to and consent of Lender in a change in the zoning classification of the Mortgaged Property, (d) establish any condominium or cooperative regime with respect to the Mortgaged Property, (e) combine all or any part of the Mortgaged Property with all or any part of a tax parcel which is not part of the Mortgaged Property, or (f) subdivide or otherwise split any tax parcel constituting all or any part of the Mortgaged Property without the prior consent of Lender.

12. PROTECTION OF LENDER'S SECURITY; INSTRUMENT SECURES FUTURE ADVANCES.

(a) If Borrower fails to perform any of its obligations under this Instrument, the Bond Mortgage Note or any other Bond Mortgage Loan Document, or if any action or proceeding is commenced which purports to affect the Mortgaged Property, Lender's security or Lender's rights under this Instrument, including eminent domain, insolvency, code enforcement, civil or criminal forfeiture, enforcement of Hazardous Materials Laws, enforcement of the Bond Financing Documents, fraudulent conveyance or reorganizations or proceedings involving a bankrupt or decedent, then Lender at Lender's option may make such appearances, file such

documents, disburse such sums and take such actions as Lender reasonably deems necessary to perform such obligations of Borrower and to protect Lender's interest, including (i) payment of Attorneys' Fees and Costs, (ii) payment of fees and out-of-pocket expenses of accountants, inspectors and consultants, (iii) entry upon the Mortgaged Property to make repairs or secure the Mortgaged Property, (iv) procurement of the insurance required by Section 19, and (v) payment of amounts which Borrower has failed to pay under Sections 15 and 17.

(b) Any amounts disbursed by Lender under this Section 12, or under any other provision of this Instrument that treats such disbursement as being made under this Section 12, shall be secured by this Instrument, shall be added to, and become part of, the principal component of the Indebtedness, shall be immediately due and payable.

(c) Nothing in this Section 12 shall require Lender to incur any expense or take any action.

13. INSPECTION. Lender, its agents, representatives, and designees may make or cause to be made entries upon and inspections of the Mortgaged Property (including environmental inspections and tests to the extent permitted under Section 18) during normal business hours, or at any other reasonable time, upon reasonable notice to Borrower if the inspection is to include occupied residential units (which notice need not be in writing). Notice to Borrower shall not be required in the case of an emergency, as determined in Lender's discretion, or when an Event of Default has occurred and is continuing.

14. BOOKS AND RECORDS; FINANCIAL REPORTING.

(a) Borrower shall keep and maintain at all times at the Mortgaged Property or the management agent's office, and upon Lender's request shall make available at the Mortgaged Property (or, at Borrower's option, at the management agent's office), complete and accurate books of account and records (including copies of supporting bills and invoices) adequate to reflect correctly the operation of the Mortgaged Property, and copies of all written contracts, Leases, and other instruments which affect the Mortgaged Property. The books, records, contracts, Leases and other instruments shall be subject to examination and inspection by Lender at any reasonable time.

(b) At any time upon Lender's request, Borrower shall furnish to Lender each of the following. However, Lender shall not require any of the following more frequently than quarterly except when there has been an Event of Default and such Event of Default is continuing, in which case Lender may require Borrower to furnish any of the following more frequently:

- (i) a balance sheet, a statement of income and expenses for Borrower and a statement of changes in financial position of Borrower for Borrower's most recent fiscal year;
- (ii) a quarterly or year-to-date income and expense statement for the Mortgaged Property; and
- (iii) a monthly property management report for the Mortgaged Property, showing the number of inquiries made and rental applications received from tenants or prospective tenants and deposits received from tenants and any other information requested by Lender.

(c) Upon Lender's request at any time when an Event of Default has occurred and is continuing, Borrower shall furnish to Lender monthly income and expense statements and rent schedules for the Mortgaged Property.

(f) An individual having authority to bind Borrower shall certify each of the statements, schedules and reports required by Sections 14(b) and 14(c) to be complete and accurate. Each of the statements, schedules and reports required by Sections 14(b) and 14(c) shall be in such form and contain such detail as Lender may reasonably require.

(g) If Borrower fails to provide in a timely manner the statements, schedules and reports required by Sections 14(b) and 14(c), Lender shall give Borrower Notice specifying the statements, schedules and reports required by Sections 14(b) and 14(c) that Borrower has failed to provide. If Borrower has not provided the required statements, schedules and reports within 10 Business Days following such Notice, then Lender shall have the right to have Borrower's books and records audited, at Borrower's expense, by independent certified public accountants selected by Lender in order to obtain such statements, schedules and reports, and all related costs and expenses of Lender shall become immediately due and payable and shall become an additional part of the Indebtedness as provided in Section 12. Notice to Borrower shall not be required in the case of an emergency, as determined in Lender's discretion, or when an Event of Default has occurred and is continuing.

(h) If an Event of Default has occurred and is continuing, Borrower shall deliver to Lender upon written demand all books and records relating to the Mortgaged Property or its operation.

(i) Borrower authorizes Lender to obtain a credit report on Borrower at any time.

15. TAXES; OPERATING EXPENSES.

(a) Subject to the provisions of Section 15(c), Borrower shall pay, or cause to be paid, all Taxes before delinquent.

(b) Borrower shall (i) pay the expenses of operating, managing, maintaining and repairing the Mortgaged Property (including utilities, repairs and replacements) before the last date upon which each such payment may be made without any penalty or interest charge being added, and (ii) pay insurance premiums at least 30 days prior to the expiration date of each policy of insurance, unless applicable law specifies some lesser period.

(c) Borrower, at its own expense, may contest by appropriate legal proceedings, conducted diligently and in good faith, the amount or validity of any Imposition other than insurance premiums, if (i) Borrower notifies Lender of the commencement or expected commencement of such proceedings, (ii) the Mortgaged Property is not in danger of being sold or forfeited, (iii) if Borrower has not already paid the Imposition, Borrower deposits with Lender reserves sufficient to pay the contested Imposition, if requested by Lender, and (iv) Borrower furnishes whatever additional security is required in the proceedings or is reasonably requested by Lender.

(d) Borrower shall promptly deliver to Lender a copy of all notices of, and invoices for, Taxes and Insurance, and Borrower shall furnish to Lender, on or before the date this Instrument requires such items to be paid, receipts evidencing that such payments were made.

16. LIENS; ENCUMBRANCES. Borrower acknowledges that, to the extent provided in Section 21, the grant, creation or existence of any mortgage, deed of trust, deed to secure debt, security interest or other lien or encumbrance (a "**Lien**") on the Mortgaged Property (other than the lien of this Instrument and Permitted Encumbrances) or on certain ownership interests in Borrower, whether voluntary, involuntary or by operation of law, and whether or not such Lien has priority over the lien of this Instrument, is a "**Transfer**" which constitutes an Event of Default and subjects Borrower to personal liability under the Bond Mortgage Note.

17. PRESERVATION, MANAGEMENT AND MAINTENANCE OF MORTGAGED PROPERTY.

(a) Borrower shall not commit waste or permit impairment or deterioration of the Mortgaged Property.

(b) Borrower shall not abandon the Mortgaged Property.

(c) Borrower shall restore or repair promptly, in a good and workmanlike manner, any damaged part of the Mortgaged Property to the equivalent of its original condition, or such other condition as Lender may approve in writing, whether or not insurance proceeds or condemnation awards are available to cover any costs of such restoration or repair; however, Borrower shall not be obligated to perform such restoration or repair if (i) no Event of Default has occurred and is continuing, and (ii) Lender has elected to apply any available insurance proceeds and/or condemnation awards to the payment of Indebtedness pursuant to Section 19(h)(ii), (iii), (iv) or (v), or pursuant to Section 20.

(d) Borrower shall keep the Mortgaged Property in good repair, including the replacement of Personalty and Fixtures with items of equal or better function and quality.

(e) Borrower shall provide for professional management of the Mortgaged Property by a residential rental property manager satisfactory to Lender at all times under a contract approved by Lender in writing, which contract must be terminable upon not more than 30 days notice without the necessity of establishing cause and without payment of a penalty or termination fee by Borrower or its successors.

(f) Borrower shall give Notice to Lender of and, unless otherwise directed in writing by Lender, shall appear in and defend any action or proceeding purporting to affect the Mortgaged Property, Lender's security or Lender's rights under this Instrument. Borrower shall not (and shall not permit any tenant or other person to) remove, demolish or alter the Mortgaged Property or any part of the Mortgaged Property, including any removal, demolition or alteration occurring in connection with a rehabilitation of all or part of the Mortgaged Property, except (i) in connection with the replacement of tangible Personalty, (ii) if Borrower is a cooperative housing corporation, to the extent permitted with respect to individual dwelling units under the form of proprietary lease or occupancy agreement and (iii) repairs and replacements in connection with making an individual unit ready for a new occupant.

18. ENVIRONMENTAL HAZARDS.

(a) Except for matters described in Section 18(b), Borrower shall not cause or permit any of the following:

- (i) the presence, use, generation, release, treatment, processing, storage (including storage in above ground and underground storage tanks), handling, or disposal of any Hazardous Materials on or under the Mortgaged Property or any other property of Borrower that is adjacent to the Mortgaged Property;
- (ii) the transportation of any Hazardous Materials to, from, or across the Mortgaged Property;
- (iii) any occurrence or condition on the Mortgaged Property or any other property of Borrower that is adjacent to the Mortgaged Property, which occurrence or condition is or may be in violation of Hazardous Materials Laws;
- (iv) any violation of or noncompliance with the terms of any Environmental Permit with respect to the Mortgaged Property or any property of Borrower that is adjacent to the Mortgaged Property;
- (v) any violation or noncompliance with the terms of any O&M Program as defined in subsection (d).

The matters described in clauses (i) through (v) above, except as otherwise provided in Section 18(b), are referred to collectively in this Section 18 as "**Prohibited Activities or Conditions.**"

(b) Prohibited Activities or Conditions shall not include lawful conditions permitted by an O&M Program or the safe and lawful use and storage of quantities of (i) pre-packaged supplies, cleaning materials, petroleum products, household products, paints, solvents, lubricants and other materials customarily used in the operation and maintenance of comparable multifamily properties, (ii) cleaning materials, personal grooming items and other items sold in pre-packaged containers for consumer use and used by tenants and occupants of residential dwelling units in the Mortgaged Property; and (iii) petroleum products used in the operation and maintenance of motor vehicles from time to time located on the Mortgaged Property's parking areas, so long as all of the foregoing are used, stored, handled, transported and disposed of in compliance with Hazardous Materials Laws.

(c) Borrower shall take all commercially reasonable actions (including the inclusion of appropriate provisions in any Leases executed after the date of this Instrument) to prevent its employees, agents, and contractors, and all tenants and other occupants from causing or permitting any Prohibited Activities or Conditions. Borrower shall not lease or allow the sublease or use of all or any portion of the Mortgaged Property to any tenant or subtenant for nonresidential use by any user that, in the ordinary course of its business, would cause or permit any Prohibited Activity or Condition.

(d) As may be required by the Credit Facility Provider, Borrower shall establish a written operations and maintenance program with respect to certain Hazardous Materials. Each such operations and maintenance program and any additional or revised operations and maintenance programs shall be referred to herein as an "**O&M Program.**" Borrower shall comply in a timely manner with, and cause all employees, agents, and contractors of Borrower and any other persons present on the Mortgaged Property to comply with each O&M Program. Borrower shall pay all costs of performance of Borrower's obligations under any O&M Program,

and Lender's out-of-pocket costs incurred in connection with the monitoring and review of each O&M Program and Borrower's performance shall be paid by Borrower upon demand by Lender. Any such out-of-pocket costs of Lender that Borrower fails to pay promptly shall become an additional part of the Indebtedness as provided in Section 12.

(e) Borrower represents and warrants to Lender that, except as previously disclosed by Borrower to Lender in writing (which written disclosure may be in certain environmental assessments and other written reports accepted by Lender in connection with the funding of the Indebtedness and dated prior to the date of this Instrument):

- (i) Borrower has not at any time engaged in, caused or permitted any Prohibited Activities or Conditions on the Mortgaged Property;
- (ii) to the best of Borrower's knowledge after reasonable and diligent inquiry, no Prohibited Activities or Conditions exist or have existed on the Mortgaged Property;
- (iii) the Mortgaged Property does not now contain any underground storage tanks, and, to the best of Borrower's knowledge after reasonable and diligent inquiry, the Mortgaged Property has not contained any underground storage tanks in the past. If there is an underground storage tank located on the Mortgaged Property that has been previously disclosed by Borrower to Lender in writing, that tank complies with all requirements of Hazardous Materials Laws;
- (iv) to the best of Borrower's knowledge after reasonable and diligent inquiry, Borrower has complied with all Hazardous Materials Laws, including all requirements for notification regarding releases of Hazardous Materials. Without limiting the generality of the foregoing, Borrower has obtained all Environmental Permits required for the operation of the Mortgaged Property in accordance with Hazardous Materials Laws now in effect and all such Environmental Permits are in full force and effect;
- (v) to the best of Borrower's knowledge after reasonable and diligent inquiry, no event has occurred with respect to the Mortgaged Property that constitutes, or with the passing of time or the giving of notice would constitute, noncompliance with the terms of any Environmental Permit;
- (vi) there are no actions, suits, claims or proceedings pending or, to the best of Borrower's knowledge after reasonable and diligent inquiry, threatened that involve the Mortgaged Property and allege, arise out of, or relate to any Prohibited Activity or Condition; and
- (vii) Borrower has not received any written complaint, order, notice of violation or other communication from any Governmental Authority with regard to air emissions, water discharges, noise emissions or Hazardous Materials, or any other environmental, health or safety matters affecting the Mortgaged Property or any other property of Borrower that is adjacent to the Mortgaged Property.

(f) Borrower shall promptly notify Lender in writing upon the occurrence of any of the following events:

- (i) Borrower's discovery of any Prohibited Activity or Condition;
- (ii) Borrower's receipt of or knowledge of any written complaint, order, notice of violation or other communication from any tenant, management agent, Governmental Authority or other person with regard to present or future alleged Prohibited Activities or Conditions, or any other environmental, health or safety matters affecting the Mortgaged Property or any other property of Borrower that is adjacent to the Mortgaged Property; or
- (iii) Borrower's breach of any of its obligations under this Section 18.

Any such notice given by Borrower shall not relieve Borrower of, or result in a waiver of, any obligation under this Instrument, the Bond Mortgage Note, or any other Bond Mortgage Loan Document.

(g) Borrower shall pay promptly the costs of any environmental inspections, tests or audits, a purpose of which is to identify the extent or cause of or potential for a Prohibited Activity or Condition ("**Environmental Inspections**"), required by Lender in connection with any foreclosure or deed in lieu of foreclosure, or as a condition of Lender's consent to any Transfer under Section 21, or required by Lender following a reasonable determination by Lender that Prohibited Activities or Conditions may exist. Any such costs incurred by Lender (including Attorneys' Fees and Costs and the costs of technical consultants whether incurred in connection with any judicial or administrative process or otherwise) that Borrower fails to pay promptly shall become an additional part of the Indebtedness as provided in Section 12. As long as (i) no Event of Default has occurred and is continuing, (ii) Borrower has actually paid for or reimbursed Lender for all costs of any such Environmental Inspections performed or required by Lender, and (iii) Lender is not prohibited by law, contract or otherwise from doing so, Lender shall make available to Borrower, without representation of any kind, copies of Environmental Inspections prepared by third parties and delivered to Lender. Lender hereby reserves the right, and Borrower hereby expressly authorizes Lender, to make available to any party, including any prospective bidder at a foreclosure sale of the Mortgaged Property, the results of any Environmental Inspections made by or for Lender with respect to the Mortgaged Property. Borrower consents to Lender notifying any party (either as part of a notice of sale or otherwise) of the results of any Environmental Inspections made by or for Lender. Borrower acknowledges that Lender cannot control or otherwise assure the truthfulness or accuracy of the results of any Environmental Inspections and that the release of such results to prospective bidders at a foreclosure sale of the Mortgaged Property may have a material and adverse effect upon the amount that a party may bid at such sale. Borrower agrees that Lender shall have no liability whatsoever as a result of delivering the results to any third party of any Environmental Inspections made by or for Lender, and Borrower hereby releases and forever discharges Lender from any and all claims, damages, or causes of action, arising out of, connected with or incidental to the results of, the delivery of any of Environmental Inspections made by or for Lender.

(h) If any investigation, site monitoring, containment, clean-up, restoration or other remedial work ("**Remedial Work**") is necessary to comply with any Hazardous Materials Law or order of any Governmental Authority that has or acquires jurisdiction over the Mortgaged Property or the use, operation or improvement of the Mortgaged Property under any Hazardous

Materials Law, or is otherwise required by Lender as a consequence of any Prohibited Activity or Condition or to prevent the occurrence of a Prohibited Activity or Condition, Borrower shall, by the earlier of (i) the applicable deadline required by Hazardous Materials Law or (ii) 30 days after Notice from Lender demanding such action, begin performing the Remedial Work, and thereafter diligently prosecute it to completion, and shall in any event complete the work by the time required by applicable Hazardous Materials Law. If Borrower fails to begin on a timely basis or diligently prosecute any required Remedial Work, Lender may, at its option, cause the Remedial Work to be completed, in which case Borrower shall reimburse Lender on demand for the cost of doing so. Any reimbursement due from Borrower to Lender shall become part of the Indebtedness as provided in Section 12.

(i) Borrower shall comply with all Hazardous Materials Laws applicable to the Mortgaged Property. Without limiting the generality of the previous sentence, Borrower shall (i) obtain and maintain all Environmental Permits required by Hazardous Materials Laws and comply with all conditions of such Environmental Permits; (ii) cooperate with any inquiry by any Governmental Authority; and (iii) comply with any governmental or judicial order that arises from any alleged Prohibited Activity or Condition.

(j) Borrower shall indemnify, hold harmless and defend (i) Lender, (ii) any prior owner or holder of the Bond Mortgage Note, (iii) the officers, directors, shareholders, partners, employees and trustees of any of the foregoing, and (iv) the heirs, legal representatives, successors and assigns of each of the foregoing (collectively, the "**Indemnitees**") from and against all proceedings, claims, damages, penalties and costs (whether initiated or sought by Governmental Authorities or private parties), including Attorneys' Fees and Costs and remediation costs, whether incurred in connection with any judicial or administrative process or otherwise, arising directly or indirectly from any of the following:

- (i) any breach of any representation or warranty of Borrower in this Section 18;
- (ii) any failure by Borrower to perform any of its obligations under this Section 18;
- (iii) the existence or alleged existence of any Prohibited Activity or Condition;
- (iv) the presence or alleged presence of Hazardous Materials on or under the Mortgaged Property or in any of the Improvements or on or under any property of Borrower that is adjacent to the Mortgaged Property; and
- (v) the actual or alleged violation of any Hazardous Materials Law.

(k) Counsel selected by Borrower to defend Indemnitees shall be subject to the approval of those Indemnitees. In any circumstances in which the indemnity under this Section 18 applies, Lender may employ its own legal counsel and consultants to prosecute, defend or negotiate any claim or legal or administrative proceeding and Lender, with the prior written consent of Borrower (which shall not be unreasonably withheld, delayed or conditioned) may settle or compromise any action or legal or administrative proceeding. However, unless an Event of Default has occurred and is continuing, or the interests of Borrower and Lender are in conflict, as determined by Lender in its discretion, Lender shall permit Borrower to undertake the actions referenced in this Section 18 in accordance with this Section 18(k) and Section 18(l) so long as Lender approves such action, which approval shall not be unreasonably withheld or delayed.

Borrower shall reimburse Lender upon demand for all costs and expenses incurred by Lender, including all costs of settlements entered into in good faith, consultants' fees and Attorneys' Fees and Costs.

(l) Borrower shall not, without the prior written consent of those Indemnitees who are named as parties to a claim or legal or administrative proceeding (a "**Claim**"), settle or compromise the Claim if the settlement (i) results in the entry of any judgment that does not include as an unconditional term the delivery by the claimant or plaintiff to Lender of a written release of those Indemnitees, satisfactory in form and substance to Lender; or (ii) may materially and adversely affect Lender, as determined by Lender in its discretion.

(m) Borrower's obligation to indemnify the Indemnitees shall not be limited or impaired by any of the following, or by any failure of Borrower or any guarantor to receive notice of or consideration for any of the following:

- (i) any amendment or modification of any Bond Mortgage Loan Document;
 - (ii) any extensions of time for performance required by any Bond Mortgage Loan Document;
 - (iii) any provision in any of the Bond Mortgage Loan Documents limiting Lender's recourse to property securing the Indebtedness, or limiting the personal liability of Borrower or any other party for payment of all or any part of the Indebtedness;
 - (iv) the accuracy or inaccuracy of any representations and warranties made by Borrower under this Instrument or any other Bond Mortgage Loan Document;
 - (v) the release of Borrower or any other person, by Lender or by operation of law, from performance of any obligation under any Bond Mortgage Loan Document;
 - (vi) the release or substitution in whole or in part of any security for the Indebtedness; and
 - (vii) Lender's failure to properly perfect any lien or security interest given as security for the Indebtedness.
- (n) Borrower shall, at its own cost and expense, do all of the following:
- (i) pay or satisfy any judgment or decree that may be entered against any Indemnitee or Indemnitees in any legal or administrative proceeding incident to any matters against which Indemnitees are entitled to be indemnified under this Section 18;
 - (ii) reimburse Indemnitees for any expenses paid or incurred in connection with any matters against which Indemnitees are entitled to be indemnified under this Section 18; and

- (iii) reimburse Indemnitees for any and all expenses, including Attorneys' Fees and Costs, paid or incurred in connection with the enforcement by Indemnitees of their rights under this Section 18, or in monitoring and participating in any legal or administrative proceeding.

(o) The provisions of this Section 18 shall be in addition to any and all other obligations and liabilities that Borrower may have under applicable law or under other Bond Mortgage Loan Documents, and each Indemnitee shall be entitled to indemnification under this Section 18 without regard to whether Lender or that Indemnitee has exercised any rights against the Mortgaged Property or any other security, pursued any rights against any guarantor, or pursued any other rights available under the Bond Mortgage Loan Documents or applicable law. If Borrower consists of more than one person or entity, the obligation of those persons or entities to indemnify the Indemnitees under this Section 18 shall be joint and several. The obligation of Borrower to indemnify the Indemnitees under this Section 18 shall survive any repayment or discharge of the Indebtedness, any foreclosure proceeding, any foreclosure sale, any delivery of any deed in lieu of foreclosure, and any release of record of the lien of this Instrument. Notwithstanding the foregoing, if Lender has never been a mortgagee-in-possession of, or held title to, the Mortgaged Property, Borrower shall have no obligation to indemnify the Indemnitees under this Section 18 after the date of the release of record of the lien of this Instrument by payment in full at the Maturity Date or by voluntary prepayment in full.

19. PROPERTY AND LIABILITY INSURANCE.

(a) Borrower shall keep the Improvements insured at all times against loss by fire and allied perils, general boiler and machinery coverage, rent loss and extra expense insurance. If Lender so requires, such insurance shall also include sinkhole insurance, mine subsidence insurance, earthquake insurance, and, if the Mortgaged Property does not conform to applicable zoning or land use laws, building ordinance or law coverage. If any of the Improvements is located in an area identified by the Federal Emergency Management Agency (or any successor to that agency) as an area having special flood hazards, Borrower shall insure such Improvements against loss by flood. All insurance required pursuant to this Section 19(a) shall be referred to as "**Hazard Insurance.**"

(b) All Hazard Insurance policies shall be in a form approved by Lender. All policies of property damage insurance shall include a non-contributing, non-reporting mortgage clause in favor of, and in a form approved by, Lender. Lender shall have the right to hold the original policies or duplicate original policies of all Hazard Insurance required by Section 19(a). Borrower shall promptly deliver to Lender a copy of all renewal and other notices received by Borrower with respect to the policies and all receipts for paid premiums. At least 5 days prior to the expiration date of any Hazard Insurance policy, Borrower shall deliver to Lender evidence acceptable to Lender that the policy has been renewed. If Borrower has not delivered the original (or a duplicate original) of a renewal policy prior to the expiration date of any Hazard Insurance policy, Borrower shall deliver the original (or a duplicate original) of a renewal policy in a form satisfactory to Lender within 120 days after the expiration date of the original policy.

(c) Borrower shall maintain at all times commercial general liability insurance, workers' compensation insurance and such other liability, errors and omissions and fidelity insurance coverages as Lender may from time to time require.

(d) All insurance policies and renewals of insurance policies required by this Section 19 shall be in such amounts and for such periods as Lender may from time to time require, and shall be issued by insurance companies satisfactory to Lender.

(e) Borrower shall comply with all insurance requirements and shall not permit any condition to exist on the Mortgaged Property that would invalidate any part of any insurance coverage that this Instrument requires Borrower to maintain.

(f) In the event of loss, Borrower shall give immediate written notice to the insurance carrier and to Lender. Borrower hereby authorizes and appoints Lender as attorney-in-fact for Borrower to make proof of loss, to adjust and compromise any claims under policies of Hazard Insurance, to appear in and prosecute any action arising from such Hazard Insurance policies, to collect and receive the proceeds of Hazard Insurance, and to deduct from such proceeds Lender's expenses incurred in the collection of such proceeds. This power of attorney is coupled with an interest and therefore is irrevocable. However, nothing contained in this Section 19 shall require Lender to incur any expense or take any action. Lender may, at Lender's option, (i) require a "repair or replacement" settlement, in which case the proceeds will be used to reimburse Borrower for the cost of restoring and repairing the Mortgaged Property to the equivalent of its original condition or to a condition approved by Lender (the "**Restoration**"), or (ii) require an "actual cash value" settlement in which case the proceeds may be applied to the payment of the Indebtedness, whether or not then due. To the extent Lender determines to require a repair or replacement settlement and apply insurance proceeds to Restoration, Lender shall apply the proceeds in accordance with Lender's then-current policies relating to the restoration of casualty damage on similar multifamily properties.

(g) Notwithstanding any provision to the contrary in this Section 19, as long as no Event of Default, or any event which, with the giving of Notice or the passage of time, or both, would constitute an Event of Default, has occurred and is continuing, the Borrower shall have the sole right to make proof of loss, adjust and compromise the claim and collect and receive any proceeds directly without the approval or prior consent of the Lender so long as the insurance proceeds are used solely for the Restoration of the Mortgaged Property.

(h) Lender will have the right to exercise its option to apply insurance proceeds to the payment of the Indebtedness only if Lender determines that at least one of the following conditions is met:

- (i) an Event of Default (or any event, which, with the giving of Notice or the passage of time, or both, would constitute an Event of Default) has occurred and is continuing;
- (ii) Lender determines, in its discretion, that there will not be sufficient funds from insurance proceeds, anticipated contributions of Borrower of its own funds or other sources acceptable to Lender to complete the Restoration;
- (iii) Lender determines, in its discretion, that the rental income from the Mortgaged Property after completion of the Restoration will not be sufficient to meet all operating costs and other expenses, Imposition Deposits, deposits to reserves and loan repayment obligations relating to the Mortgaged Property;

- (iv) Lender determines, in its discretion, that the Restoration will not be completed at least one year before the Maturity Date (or six months before the Maturity Date if Lender determines in its discretion that re-leasing of the Mortgaged Property will be completed within such six-month period); or
- (v) Lender determines that the Restoration will not be completed within one year after the date of the loss or casualty.

(i) If the Mortgaged Property is sold at a foreclosure sale or Lender acquires title to the Mortgaged Property, Lender shall automatically succeed to all rights of Borrower in and to any insurance policies and unearned insurance premiums and in and to the proceeds resulting from any damage to the Mortgaged Property prior to such sale or acquisition.

(j) Unless Lender otherwise agrees in writing, any application of any insurance proceeds to the Indebtedness shall not extend or postpone the due date of any monthly installments referred to in the Bond Mortgage Note, or change the amount of such installments.

(k) Borrower agrees to execute such further evidence of assignment of any insurance proceeds as Lender may require.

20. CONDEMNATION.

(a) Borrower shall promptly notify Lender in writing of any action or proceeding or notice relating to any proposed or actual condemnation or other taking, or conveyance in lieu thereof, of all or any part of the Mortgaged Property, whether direct or indirect (a "**Condemnation**"). Borrower shall appear in and prosecute or defend any action or proceeding relating to any Condemnation unless otherwise directed by Lender in writing. Borrower authorizes and appoints Lender as attorney-in-fact for Borrower to commence, appear in and prosecute, in Lender's or Borrower's name, any action or proceeding relating to any Condemnation and to settle or compromise any claim in connection with any Condemnation, after consultation with Borrower and consistent with commercially reasonable standards of a prudent lender. This power of attorney is coupled with an interest and therefore is irrevocable. However, nothing contained in this Section 20 shall require Lender to incur any expense or take any action. Borrower hereby transfers and assigns to Lender all right, title and interest of Borrower in and to any award or payment with respect to (i) any Condemnation, or any conveyance in lieu of Condemnation, and (ii) any damage to the Mortgaged Property caused by governmental action that does not result in a Condemnation.

(b) Lender may apply such awards or proceeds, after the deduction of Lender's expenses incurred in the collection of such amounts (including Attorneys' Fees and Costs) at Lender's option, to the restoration or repair of the Mortgaged Property or to the payment of the Indebtedness, with the balance, if any, to Borrower. Unless Lender otherwise agrees in writing, any application of any awards or proceeds to the Indebtedness shall not extend or postpone the due date of any monthly installments referred to in the Bond Mortgage Note, or change the amount of such installments. Borrower agrees to execute such further evidence of assignment of any awards or proceeds as Lender may require.

21. TRANSFERS OF THE MORTGAGED PROPERTY OR INTERESTS IN BORROWER.

- (a) **"Transfer"** means
- (i) a sale, assignment, transfer or other disposition (whether voluntary, involuntary or by operation of law);
 - (ii) the granting, creating or attachment of a lien, encumbrance or security interest (whether voluntary, involuntary or by operation of law);
 - (iii) the issuance or other creation of an ownership interest in a legal entity, including a partnership interest, interest in a limited liability company or corporate stock;
 - (iv) the withdrawal, retirement, removal or involuntary resignation of a partner in a partnership or a member or manager in a limited liability company; or
 - (v) the merger, dissolution, liquidation, or consolidation of a legal entity or the reconstitution of one type of legal entity into another type of legal entity.

For purposes of defining the term "Transfer," the term "partnership" shall mean a general partnership, a limited partnership, a joint venture and a limited liability partnership, and the term "partner" shall mean a general partner, a limited partner and a joint venturer.

- (b) "Transfer" does not include
- (i) a conveyance of the Mortgaged Property at a judicial or non-judicial foreclosure sale under this Instrument,
 - (ii) the Mortgaged Property becoming part of a bankruptcy estate by operation of law under the United States Bankruptcy Code, or
 - (iii) a lien against the Mortgaged Property for local taxes and/or assessments payable but not yet delinquent.

(c) The occurrence of any of the following Transfers shall not constitute an Event of Default under this Instrument:

- (i) a Transfer to which Lender has consented;
- (ii) a Transfer that occurs in accordance with Section _____ of the Regulatory Agreement;
- (iii) the grant of a leasehold interest in an individual dwelling unit for a term of two years or less not containing an option to purchase;
- (iv) a Transfer of obsolete or worn out Personalty or Fixtures that are contemporaneously replaced by items of equal or better function and quality, which are free of liens, encumbrances and security interests other than those created by the Bond Mortgage Loan Documents or consented to by Lender;

- (v) the creation of a mechanic's, materialman's, or judgment lien against the Mortgaged Property, which is released of record or otherwise remedied to Lender's satisfaction within 60 days of the date of creation;
- (vi) Reserved;
- (vii) Reserved.

A Transfer other than as described in Section 21(c) above shall constitute an Event of Default under this Instrument.

22. EVENTS OF DEFAULT. The occurrence of any one or more of the following shall constitute an Event of Default under this Instrument:

- (a) any failure by Borrower to pay or deposit when due any amount required by this Instrument, the Bond Mortgage Note or any other Bond Mortgage Loan Document;
- (b) any failure by Borrower to maintain the insurance coverage required by Section 19;
- (c) any failure by Borrower to comply with the provisions of Section 33;
- (d) fraud or material misrepresentation or material omission by Borrower, any of its officers, directors, trustees, general partners or managers or any guarantor in connection with (i) the application for or creation of the Indebtedness, or (ii) any financial statement, rent schedule, or other report or information provided to Lender during the term of the Indebtedness;
- (e) any failure to comply with the provisions of Section 20;
- (f) any Event of Default under Section 21;
- (g) the commencement of a forfeiture action or proceeding, whether civil or criminal, which, in Lender's reasonable judgment, could result in a forfeiture of the Mortgaged Property or otherwise materially impair the lien created by this Instrument or Lender's interest in the Mortgaged Property;
- (h) any failure by Borrower to perform any of its obligations under this Instrument (other than those specified in Sections 22(a) through (g)), as and when required, which continues for a period of 30 days after Notice of such failure by Lender to Borrower. However, if Borrower's failure to perform its obligations as described in this Section 22(h) is of the nature that it cannot be cured within the 30 day grace period but reasonably could be cured within 90 days, then Borrower shall have additional time as determined by Lender in its discretion, not to exceed an additional 60 days, in which to cure such default, provided that Borrower has diligently commenced to cure such default during the 30-day grace period and diligently pursues the cure of such default. However, no such Notice or grace periods shall apply in the case of any such failure which could, in Lender's judgment, absent immediate exercise by Lender of a right or remedy under this Instrument, result in harm to Lender, impairment of the Bond Mortgage Note or this Instrument or any other security given under any other Bond Mortgage Loan Document;

(i) any failure by Borrower to perform any of its obligations as and when required under any Bond Mortgage Loan Document other than this Instrument which continues beyond the applicable cure period, if any, specified in that Bond Mortgage Loan Document;

(j) any exercise by the holder of any other debt instrument secured by a mortgage, deed of trust or deed to secure debt on the Mortgaged Property of a right to declare all amounts due under that debt instrument immediately due and payable;

(k) Borrower voluntarily files for bankruptcy protection under the United States Bankruptcy Code or voluntarily becomes subject to any reorganization, receivership, insolvency proceeding or other similar proceeding pursuant to any other federal or state law affecting debtor and creditor rights, or an involuntary case is commenced against Borrower by any creditor (other than Lender) of Borrower pursuant to the United States Bankruptcy Code or other federal or state law affecting debtor and creditor rights and is not dismissed or discharged within 90 days after filing;

(l) any of Borrower's representations and warranties in this Instrument is false or misleading in any material respect;

(m) any default by the Borrower, or any person or entity acting on behalf of or on the request of Borrower, under the Bonds, the Bond Financing Documents or the Indenture after the expiration of any notice or cure period provided therein; and

(n) any breach of, or event of default under any other document or agreement relating to the Bonds to which Borrower is a party after the expiration of any notice or cure period provided therein.

23. REMEDIES CUMULATIVE. Each right and remedy provided in this Instrument is distinct from all other rights or remedies under this Instrument, the Bond Mortgage Note or any other Bond Mortgage Loan Document or afforded by applicable law, and each shall be cumulative and may be exercised concurrently, independently, or successively, in any order.

24. FORBEARANCE.

(a) Lender may (but shall not be obligated to) agree with Borrower, from time to time, and without giving notice to, or obtaining the consent of, or having any effect upon the obligations of, any guarantor or other third party obligor, to take any of the following actions: extend the time for payment of all or any part of the Indebtedness; reduce the payments due under this Instrument, the Bond Mortgage Note, or any other Bond Mortgage Loan Document; release anyone liable for the payment of any amounts under this Instrument, the Bond Mortgage Note, or any other Bond Mortgage Loan Document; accept a renewal of the Bond Mortgage Note; modify the terms and time of payment of the Indebtedness; join in any extension or subordination agreement; release any Mortgaged Property; take or release other or additional security; modify the rate of interest or period of amortization of the Bond Mortgage Note or change the amount of the monthly installments payable under the Bond Mortgage Note; and otherwise modify this Instrument, the Bond Mortgage Note, or any other Bond Mortgage Loan Document.

(b) Any forbearance by Lender in exercising any right or remedy under the Bond Mortgage Note, this Instrument, or any other Bond Mortgage Loan Document or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any other right or

remedy, or the subsequent exercise of any right or remedy. The acceptance by Lender of payment of all or any part of the Indebtedness after the due date of such payment, or in an amount which is less than the required payment, shall not be a waiver of Lender's right to require prompt payment when due of all other payments on account of the Indebtedness or to exercise any remedies for any failure to make prompt payment. Enforcement by Lender of any security for the Indebtedness shall not constitute an election by Lender of remedies so as to preclude the exercise of any other right available to Lender. Lender's receipt of any awards or proceeds under Sections 19 and 20 shall not operate to cure or waive any Event of Default.

25. LOAN CHARGES. If any applicable law limiting the amount of interest or other charges permitted to be collected from Borrower is interpreted so that any charge provided for in any Bond Mortgage Loan Document, whether considered separately or together with other charges levied in connection with any other Bond Mortgage Loan Document, violates that law, and Borrower is entitled to the benefit of that law, that charge is hereby reduced to the extent necessary to eliminate that violation. The amounts, if any, previously paid to Lender in excess of the permitted amounts shall be applied by Lender to reduce the principal of the Indebtedness. For the purpose of determining whether any applicable law limiting the amount of interest or other charges permitted to be collected from Borrower has been violated, all Indebtedness which constitutes interest, as well as all other charges levied in connection with the Indebtedness which constitute interest, shall be deemed to be allocated and spread over the stated term of the Bond Mortgage Note. Unless otherwise required by applicable law, such allocation and spreading shall be effected in such a manner that the rate of interest so computed is uniform throughout the stated term of the Bond Mortgage Note.

26. WAIVER OF STATUTE OF LIMITATIONS. Borrower hereby waives the right to assert any statute of limitations as a bar to the enforcement of the lien of this Instrument or to any action brought to enforce any Bond Mortgage Loan Document.

27. WAIVER OF MARSHALLING. Notwithstanding the existence of any other security interests in the Mortgaged Property held by Lender or by any other party, Lender shall have the right to determine the order in which any or all of the Mortgaged Property shall be subjected to the remedies provided in this Instrument, the Bond Mortgage Note, any other Bond Mortgage Loan Document or applicable law. Lender shall have the right to determine the order in which any or all portions of the Indebtedness are satisfied from the proceeds realized upon the exercise of such remedies. Borrower and any party who now or in the future acquires a security interest in the Mortgaged Property and who has actual or constructive notice of this Instrument waives any and all right to require the marshalling of assets or to require that any of the Mortgaged Property be sold in the inverse order of alienation or that any of the Mortgaged Property be sold in parcels or as an entirety in connection with the exercise of any of the remedies permitted by applicable law or provided in this Instrument.

28. FURTHER ASSURANCES. Borrower shall execute, acknowledge, and deliver, at its sole cost and expense, all further acts, deeds, conveyances, assignments, estoppel certificates, financing statements or amendments, transfers and assurances as Lender may require from time to time in order to better assure, grant, and convey to Lender the rights intended to be granted, now or in the future, to Lender under this Instrument and the Bond Mortgage Loan Documents.

29. ESTOPPEL CERTIFICATE. Within 10 days after a request from Lender, Borrower shall deliver to Lender a written statement, signed and acknowledged by Borrower, certifying to Lender or any person designated by Lender, as of the date of such statement, (i) that

the Reimbursement Security Documents are unmodified and in full force and effect (or, if there have been modifications, that the Reimbursement Security Documents are in full force and effect as modified and setting forth such modifications); (ii) that Borrower is not in default under the Reimbursement Security Documents (or, if the Borrower is in default, describing such default in reasonable detail); and (iii) any additional facts requested by Lender.

30. GOVERNING LAW; CONSENT TO JURISDICTION AND VENUE.

(a) This Instrument, and any Bond Mortgage Loan Document which does not itself expressly identify the law that is to apply to it, shall be governed by the laws of the jurisdiction in which the Land is located (the “**Property Jurisdiction**”).

(b) Borrower agrees that any controversy arising under or in relation to this Instrument, the Bond Mortgage Note or any other Bond Mortgage Loan Document may be litigated in the Property Jurisdiction. The state and federal courts and authorities with jurisdiction in the Property Jurisdiction shall have jurisdiction over all controversies that shall arise under or in relation to the Bond Mortgage Note, any security for the Indebtedness, or any other Bond Mortgage Loan Document. Borrower irrevocably consents to service, jurisdiction, and venue of such courts for any such litigation and waives any other venue to which it might be entitled by virtue of domicile, habitual residence or otherwise. However, nothing in this Section 30 is intended to limit Lender’s right to bring any suit, action or proceeding relating to matters under this Instrument in any court of any other jurisdiction.

31. NOTICE.

(a) All notices, demands and other communications (“**Notice**”) under or concerning this Instrument shall be in writing. Each Notice shall be addressed to the intended recipient at its address set forth in this Instrument, and shall be deemed given on the earliest to occur of (i) the date when the Notice is received by the addressee; (ii) the first Business Day after the Notice is delivered to a recognized overnight courier service, with arrangements made for payment of charges for next Business Day delivery; or (iii) the third Business Day after the Notice is deposited in the United States mail with postage prepaid, certified mail, return receipt requested.

(b) Any party to this Instrument may change the address to which Notices intended for it are to be directed by means of Notice given to the other party in accordance with this Section 31. Each party agrees that it will not refuse or reject delivery of any Notice given in accordance with this Section 31, that it will acknowledge, in writing, the receipt of any Notice upon request by the other party and that any Notice rejected or refused by it shall be deemed for purposes of this Section 31 to have been received by the rejecting party on the date so refused or rejected, as conclusively established by the records of the U.S. Postal Service or the courier service.

(c) Any Notice under the Bond Mortgage Note and any other Bond Mortgage Loan Document that does not specify how Notices are to be given shall be given in accordance with this Section 31.

32. SALE OF BOND MORTGAGE NOTE. The Bond Mortgage Note or a partial interest in the Bond Mortgage Note (together with this Instrument and the other Bond Mortgage Loan Documents) may be sold one or more times without prior Notice to Borrower.

33. SINGLE ASSET BORROWER. Until Lender's obligations under the Bond Mortgage Note are terminated, the Indebtedness is paid in full or otherwise discharged, Borrower (a) shall not own any real or personal property other than the Mortgaged Property and personal property related to the operation and maintenance of the Mortgaged Property; (b) shall not operate any business other than the management and operation of the Mortgaged Property; and (c) shall not maintain its assets in a way difficult to segregate and identify.

34. SUCCESSORS AND ASSIGNS BOUND. This Instrument shall bind, and the rights granted by this Instrument shall inure to, the respective successors and assigns of Lender and Borrower. However, a Transfer not permitted by Section 21 shall be an Event of Default.

35. JOINT AND SEVERAL LIABILITY. If more than one person or entity signs this Instrument as Borrower, the obligations of such persons and entities shall be joint and several.

36. RELATIONSHIP OF PARTIES; NO THIRD PARTY BENEFICIARY. The relationship between Lender and Borrower shall be solely that of creditor and debtor, respectively, and nothing contained in this Instrument shall create any other relationship between Lender and Borrower

37. SEVERABILITY; AMENDMENTS. The invalidity or unenforceability of any provision of this Instrument shall not affect the validity or enforceability of any other provision, and all other provisions shall remain in full force and effect. This Instrument contains the entire agreement among the parties as to the rights granted and the obligations assumed in this Instrument. This Instrument may not be amended or modified except by a writing signed by the party against whom enforcement is sought; provided, however, that in the event of a Transfer prohibited by or requiring Lender's approval under Section 21, any or some or all of the Modifications to Instrument set forth in Exhibit B (if any) may be modified or rendered void by Lender at Lender's option by Notice to Borrower and the transferee(s).

38. CONSTRUCTION. The captions and headings of the Sections of this Instrument are for convenience only and shall be disregarded in construing this Instrument. Any reference in this Instrument to an "Exhibit" or a "Section" shall, unless otherwise explicitly provided, be construed as referring, respectively, to an Exhibit attached to this Instrument or to a Section of this Instrument. All Exhibits attached to or referred to in this Instrument are incorporated by reference into this Instrument. Any reference in this Instrument to a statute or regulation shall be construed as referring to that statute or regulation as amended from time to time. Use of the singular in this Agreement includes the plural and use of the plural includes the singular. As used in this Instrument, the term "including" means "including, but not limited to."

39. DISCLOSURE OF INFORMATION. Lender may furnish information regarding Borrower or the Mortgaged Property to third parties with an existing or prospective interest in the servicing, enforcement, evaluation, performance, purchase or securitization of the Indebtedness, including but not limited to trustees, master servicers, special servicers, rating agencies, and organizations maintaining databases on the underwriting and performance of multifamily mortgage loans. Borrower irrevocably waives any and all rights it may have under applicable law to prohibit such disclosure, including but not limited to any right of privacy.

40. NO CHANGE IN FACTS OR CIRCUMSTANCES. Borrower warrants that (a) all information in the application for the loan submitted to Lender (the "**Loan Application**") and in all financial statements, rent schedules, reports, certificates and other documents

submitted in connection with the Loan Application are complete and accurate in all material respects; and (b) there has been no material adverse change in any fact or circumstance that would make any such information incomplete or inaccurate.

41. SUBROGATION. If, and to the extent that, the proceeds of the loan evidenced by the Bond Mortgage Note are used to pay, satisfy or discharge any obligation of Borrower for the payment of money that is secured by a pre-existing mortgage, deed of trust or other lien encumbering the Mortgaged Property (a "**Prior Lien**"), such loan proceeds shall be deemed to have been advanced by Lender at Borrower's request, and Lender shall automatically, and without further action on its part, be subrogated to the rights, including lien priority, of the owner or holder of the obligation secured by the Prior Lien, whether or not the Prior Lien is released.

42. MISCELLANEOUS. Notwithstanding anything in this Instrument or any other Bond Mortgage Loan Document to the contrary, for so long as a Credit Facility is in effect, the Lender recognizes that the Borrower may be required to provide certain notices, books, records, documents or other information to the Credit Facility Provider which are duplicative of requirements contained in this Instrument, and agrees that to the extent the Borrower is in compliance with such requirements then compliance with like terms in this Instrument shall be deemed satisfied despite the fact that such notices, books, records, documents or other information are not delivered to the Lender. Moreover, all consents and approvals to be provided hereunder by the Lender shall be deemed to have been given if a similar request for consent or approval is to be made to the Credit Facility Provider and the Credit Facility Provider gives its consent or approval as requested.

43. ACCELERATION; REMEDIES. If an Event of Default has occurred and is continuing, Lender, at Lender's option, may declare the Indebtedness to be immediately due and payable without further demand, and may invoke the power of sale and any other remedies permitted by California law or provided in this Instrument or in any other Loan Document. Borrower acknowledges that the power of sale granted in this Instrument may be exercised by Lender without prior judicial hearing. Lender shall be entitled to collect all costs and expenses incurred in pursuing such remedies, including attorneys' fees, costs of documentary evidence, abstracts and title reports.

If the power of sale is invoked, Lender shall execute a written notice of the occurrence of an Event of Default and of Lender's election to cause the Mortgaged Property to be sold and shall cause the notice to be recorded in each county in which the Mortgaged Property or some part of the Mortgaged Property is located. Trustee shall give notice of default and notice of sale and shall sell the Mortgaged Property according to California law. Trustee may sell the Mortgaged Property at the time and place and under the terms designated in the notice of sale in one or more parcels and in such order as Trustee may determine. Trustee may postpone the sale of all or any part of the Mortgaged Property by public announcement at the time and place of any previously scheduled sale. Lender or Lender's designee may purchase the Mortgaged Property at any sale.

Trustee shall deliver to the purchaser at the sale, within a reasonable time after the sale, a deed conveying the Mortgaged Property so sold without any express or implied covenant or warranty. The recitals in Trustee's deed shall be prima facie evidence of the truth of the statements made in those recitals. Trustee shall apply the proceeds of the sale in the following order: (a) to all costs and expenses of the sale, including Trustee's fees not to exceed 5% of the gross sales price, attorneys' fees and costs of title evidence; (b) to the Indebtedness in such order

as Lender, in Lender's discretion, directs; and (c) the excess, if any, to the person or persons legally entitled to the excess.

44. RECONVEYANCE. Upon the payment in full of the Indebtedness and termination of the Credit Enhancement Agreement and the Bond Mortgage Note, Lender shall request Trustee to reconvey the Mortgaged Property and shall surrender this Instrument to Trustee. Trustee shall reconvey the Mortgaged Property without warranty to the person or persons legally entitled to the Mortgaged Property. Such person or persons shall pay Trustee's reasonable costs incurred in so reconveying the Mortgaged Property.

45. SUBSTITUTE TRUSTEE. Lender, at Lender's option, may from time to time, by a written instrument, appoint a successor trustee, which instrument, when executed and acknowledged by Lender and recorded in the office of the recorder of the county or counties where the Mortgaged Property is situated, shall be conclusive proof of proper substitution of the successor trustee. The successor trustee shall, without conveyance of the Mortgaged Property, succeed to all the title, power and duties conferred upon the Trustee in this Instrument and by California law. The instrument of substitution shall contain the name of the original Lender, Trustee and Borrower under this Instrument, the book and page where this Instrument is recorded, and the name and address of the successor trustee. If notice of default has been recorded, this power of substitution cannot be exercised until after the costs, fees and expenses of the then acting Trustee have been paid to such Trustee, who shall endorse receipt of those costs, fees and expenses upon the instrument of substitution. The procedure provided for substitution of trustee in this Instrument shall govern to the exclusion of all other provisions for substitution, statutory or otherwise.

46. STATEMENT OF OBLIGATION. Lender may collect a fee not to exceed the maximum allowed by applicable law for furnishing the statement of obligation as provided in Section 2943 of the Civil Code of California.

47. SPOUSE'S SEPARATE PROPERTY. Each Borrower who is a married person expressly agrees that recourse may be had against his or her separate property.

48. FIXTURE FILING. This Instrument is also a fixture filing under the Uniform Commercial Code of California.

49. ADDITIONAL PROVISION REGARDING APPLICATION OF PAYMENTS. In addition to the provisions of Section 9, Borrower further agrees that, if Lender accepts a guaranty of only a portion of the Indebtedness, Borrower waives its right under California Civil Code Section 2822(a), to designate the portion of the Indebtedness which shall be satisfied by a guarantor's partial payment.

50. WAIVER OF MARSHALLING; OTHER WAIVERS. To the extent permitted by law, Borrower waives (i) the benefit of all present or future laws providing for any appraisal before sale of any portion of the Mortgaged Property, (ii) all rights of redemption, valuation, appraisal, stay of execution, notice of election to mature or declare due the whole of the Indebtedness and marshalling in the event of foreclosure of the lien created by this Instrument, (iii) all rights and remedies which Borrower may have or be able to assert by reason of the laws of the State of California pertaining to the rights and remedies of sureties, (iv) the right to assert any statute of limitations as a bar to the enforcement of the lien of this Instrument or to any action brought to enforce any obligation secured by this Instrument, and (v) any rights, legal or equitable, to require marshalling of assets or to require upon foreclosure sales in a

particular order, including any rights under California Civil Code Sections 2899 and 3433. Lender shall have the right to determine the order in which any or all of the Mortgaged Property shall be subjected to the remedies provided by this Instrument. Lender shall have the right to determine the order in which any or all portions of the Indebtedness are satisfied from the proceeds realized upon the exercise of the remedies provided by this Instrument. By signing this Instrument, Borrower does not waive its rights under Section 2924c of the California Civil Code.

51. ADDITIONAL PROVISIONS CONCERNING ENVIRONMENTAL HAZARDS. In addition to the provisions of Section 18:

(a) Except for matters covered by an O&M Program or matters described in Section 18(b), Borrower shall not cause or permit any lien (whether or not such lien has priority over the lien created by this Instrument) upon the Mortgaged Property imposed pursuant to any Hazardous Materials Laws. Any such lien shall be considered a Prohibited Activity or Condition.

(b) Borrower represents and warrants to Lender that, except as previously disclosed by Borrower to Lender in writing:

(1) at the time of acquiring the Mortgaged Property, Borrower undertook all appropriate inquiry into the previous ownership and uses of the Mortgaged Property consistent with good commercial or customary practice and no evidence or indication came to light which would suggest that the Mortgaged Property has been or is now being used for any Prohibited Activities or Conditions; and

(2) the Mortgaged Property has not been designated as 'hazardous waste property' or 'border zone property' pursuant to Section 25220, *et seq.*, of the California Health and Safety Code.

The representations and warranties in this Section 51(b) shall be continuing representations and warranties that shall be deemed to be made by Borrower until such time as the Lender's obligations under the Credit Enhancement Agreement are terminated, the Indebtedness is paid in full and the Reimbursement Agreement has terminated.

(c) Without limiting any of the remedies provided in this Instrument, Borrower acknowledges and agrees that each of the provisions in Section 18 and in this Section 51 is an environmental provision (as defined in Section 736(f)(2) of the California Code of Civil Procedure) made by Borrower relating to the real property security (the '**Environmental Provisions**'), and that Borrower's failure to comply with any of the Environmental Provisions will be a breach of contract that will entitle Lender to pursue the remedies provided by Section 736 of the California Code of Civil Procedure ('**Section 736**') for the recovery of damages and for the enforcement of the Environmental Provisions. Pursuant to Section 736, Lender's action for recovery of damages or enforcement of the Environmental Provisions shall not constitute an action within the meaning of Section 726(a) of the California Code of Civil Procedure or constitute a money judgment for a deficiency or a deficiency judgment within the meaning of Sections 580a, 580b, 580d, or 726(b) of the California Code of Civil Procedure.

(d) Any reference in this Instrument or in any other Loan Document to Section 18 of this Instrument shall be construed as referring together to Section 18 and this Section 51.

52. WAIVER OF TRIAL BY JURY. BORROWER AND LENDER EACH (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS INSTRUMENT OR THE RELATIONSHIP BETWEEN THE PARTIES AS BORROWER AND LENDER THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.

ATTACHED EXHIBITS. The following Exhibits are attached to this Instrument:

<input checked="" type="checkbox"/>	Exhibit A	Description of the Land (required).
<input checked="" type="checkbox"/>	Exhibit B	Modifications to Instrument

IN WITNESS WHEREOF, Borrower has signed and delivered this Instrument or has caused this Instrument to be signed and delivered by its duly authorized representative.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

**SHADOW WAY APARTMENTS, LP, a
California limited partnership**

By: Western Community Housing, Inc., a
California nonprofit public benefit
corporation, its managing general partner

By: _____
Name:
Title:

By: Shadow Way Holdings, LLC, a Utah limited
liability company, its administrative general
partner

By: _____
Name:
Title:

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of _____

County of _____

On _____ before me, _____,
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC",
personally appeared _____,
NAME(S) OF SIGNER(S)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

DESCRIPTION OF ATTACHED DOCUMENT

- INDIVIDUAL
- CORPORATE OFFICER:

TITLE(S)
- PARTNER(S): LIMITED
 GENERAL
- ATTORNEY-IN-FACT
- TRUSTEE(S)
- GUARDIAN/CONSERVATOR
- OTHER: _____

TITLE OR TYPE OF DOCUMENT

NUMBER OF PAGES

DATE OF DOCUMENT

SIGNER IS REPRESENTING:
NAME OF PERSONS OR ENTITY(IES)

SIGNER(S) OTHER THAN NAMED ABOVE

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of _____

County of _____

On _____ before me, _____,
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC",
personally appeared _____,
NAME(S) OF SIGNER(S)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary

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TITLE OR TYPE OF DOCUMENT

NUMBER OF PAGES

DATE OF DOCUMENT

SIGNER IS REPRESENTING:
NAME OF PERSONS OR ENTITY(IES)

SIGNER(S) OTHER THAN NAMED ABOVE

EXHIBIT A

Lots 1 and 2 of Murray Mission Unit No. 10 in the City of Oceanside, County of San Diego, State of California, according to Map thereof No. 11270, filed in the Office of the County Recorder of San Diego County on June 28, 1985.

EXHIBIT B

MODIFICATIONS TO INSTRUMENT

The following modifications are made to the text of the Instrument that precedes this Exhibit:

EXHIBIT B

MODIFICATIONS TO INSTRUMENT (Tax Credit Properties)

The following modifications are made to the text of the Instrument that precedes this Exhibit:

1. **Definitions.** The following terms shall be added to Section 1 (Definitions) of the Instrument:
 - (a) **“Agency”** means the California Tax Credit Allocation Committee, in its capacity as the designated agency of the Property Jurisdiction to allocate Tax Credits, acting through any authorized representative.
 - (b) **“Borrower GP/Manager”** means individually or collectively the managing general partner(s), managing member(s) or controlling shareholder(s) of Borrower.
 - (c) **“Borrower GP/Manager Principal”** means _____ [*insert the names of the individuals or entities who constitute the Controlling Entity/Entities of the Borrower GP/Manager Principal – example: the general partner/managing member of the partnership/limited liability company that is General Partner/Manager of the Borrower or the president of the corporate General Partner/Manager of the Borrower*].
 - (d) **“Code”** means the Internal Revenue Code of 1986, as amended from time to time, or any corresponding provision or provisions of succeeding law.
 - (e) **“Equity Investor”** means _____.
 - (f) **“Equity Investor GP/Manager”** means individually or collectively the managing general partner(s), managing member(s) or controlling shareholder(s) of the Equity Investor.
 - (g) **“Operating Agreement”** means that certain _____ [*Insert specific name of partnership agreement/limited liability company agreement, etc.*] of Borrower dated as of _____, as amended from time to time.
 - (h) **“Tax Credit Regulatory Agreement”** means the extended low-income housing commitment, regulatory agreement or restrictive covenants executed or to be executed by Borrower and the Agency and properly recorded in the appropriate land records for the Property Jurisdiction, setting forth certain terms and conditions under which the Mortgaged Property is to be operated and which shall meet the requirements of Code Section 42(h)(6)(B).
 - (i) **“Tax Credits”** means the low-income housing tax credits allocated by the Agency pursuant to Section 42 of the Code.
2. **Transfers.** Section 21 of the Instrument shall be modified as set forth below.
 - a. Section 21(c) is amended by adding the following new subsections (viii), (ix) and (x) at the end of such Section:

- (viii) A Transfer of any interest of a Borrower GP/Manager in the Borrower or any direct or indirect interest of a Borrower GP/Manager Principal in the Borrower GP/Manager, resulting from any Transfer described in (A) and (B) below, provided that (1) Shadow Way Apartments, LP, owns the Mortgaged Property at the time of the Transfer and remains the Borrower under the Bond Mortgage Note after the Transfer, (2) the “Equity Investor” is a [__] percent limited partner/member in Borrower, (3) Borrower provides Lender with advance written notice of the identity of the entity replacing the Borrower GP/Manager and/or the identity of any entity or individual replacing the Borrower GP/Manager Principal and copies of all applicable revised organizational documents, and (4) upon request by Lender from time to time, Borrower will provide Lender with the names of all owners of interests in Borrower, whether such interests are owned directly or indirectly.

(A) The removal of the Borrower GP/Manager as the managing general partner/member of Borrower and its replacement as managing general partner/member with the Equity Investor GP/Manager or with an affiliate of the Equity Investor in accordance with the terms of the Operating Agreement of Borrower, provided that, after such replacement, the Initial Owners of the Equity Investor GP/Manager will own no less than 51 percent of the general partnership/membership interests in the entity which replaced the Borrower GP/Manager; or

(B) A Transfer of any interest of the Borrower GP/Manager Principal in the Borrower GP/Manager provided that (1) the Equity Investor shall identify an individual or entity meeting the Issuer’s then current requirements to be the Controlling Entity in the Borrower GP/Manager Principal, and (2) such individual or entity is substituted as the Controlling Entity in the Borrower GP/Manager under this Instrument within 10 days following the receipt by the Lender of such notice of Transfer.

- (ix) The transfer by the Equity Investor of more than 49% of its interests in the Borrower to an entity that is owned and controlled by, or is an affiliate of, the Equity Investor (a “Related Entity Investor Transferee”) under the following conditions:
- (A) Lender has received notice of the transfer, together with copies of (1) the documents transferring the Equity Investor’s interest in the Borrower to the Related Equity Investor Transferee and (2) the organizational documents of the Related Equity Investor Transferee.
- (B) At the time of the proposed Transfer, no Event of Default shall have occurred and be continuing.
- (C) Lender shall not be entitled to collect a transfer fee as a result of these transfers.
- (x) The transfer of any limited partnership/membership interest in the Equity Investor, provided that there shall be no change in the Equity Investor GP/Manager as a result of such transfer.

3. Events of Default. Section 22(h) is amended to read as follows:

(h) any failure by Borrower to perform any of its obligations under this Instrument (other than those specified in Sections 22(a) through (g)), as and when required, which continues for a period of 30 days after Notice of such failure by Lender (A) to Borrower, and (B) as long as the Equity Investor is a Controlling Entity in Borrower, to the Equity Investor. However, if Borrower's failure to perform its obligations as described in this Section 22(h) is of the nature that it cannot be cured within the thirty (30) day grace period but reasonably could be cured within 90 days, then Borrower and/or Equity Investor shall have additional time as determined by Lender in its discretion, not to exceed an additional 60 days, in which to cure such default, provided that Borrower and/or Equity Investor has diligently commenced to cure such default during the 30-day grace period and diligently pursues the cure of such default. However, no such notice or grace period shall apply in the case of any such failure which could, in Lender's judgment, absent immediate exercise by Lender of a right or remedy under this Instrument, result in harm to Lender, impairment of the Lender's rights and remedies under the Bond Mortgage Note or this Instrument or any other security given under any other Bond Mortgage Loan Document;

4. Notice. Section 31 is amended to add the following new Section 31(d):

(d) Lender agrees that, as long as the Equity Investor is a Controlling Entity in Borrower, effective notice to Borrower under this Instrument, the Bond Mortgage Note and the other Bond Mortgage Loan Documents shall require delivery of a copy of such notice to the Equity Investor. Such notice shall be given in the manner provided in this Section, at the Equity Investor's address set forth below:

The Equity Investor may change the address to which notices intended for it are to be directed by means of notice given to Lender in accordance with this Section 31.

5. The following new Sections are added to the Instrument after the last numbered Section:

53. INTENTIONALLY OMITTED.

54. TAX CREDIT REGULATORY AGREEMENT. Lender agrees that, so long as and only if, the Tax Credit Regulatory Agreement recorded against the Mortgaged Property, by its terms, terminates upon foreclosure under this Instrument or upon a transfer of the Mortgaged Property by instrument in lieu of foreclosure, in accordance with Code Section 42(h)(6)(E), the lien of this Instrument shall be subordinate to such Tax Credit Regulatory Agreement.

Lender agrees that the lien of this Instrument shall be subordinate to the lien of the Bond Regulatory Agreement regardless of the order of recording of either document.

55. ANNUAL TAX CREDIT REPORTING REQUIREMENTS. Borrower must submit to Lender, each year at the time of annual submission of Borrower's financial analysis of operations, a copy of the following sections of Borrower's federal tax return: Internal Revenue Forms 1065, 8586, 8609 and Form 8609,

Schedule A, which must reflect the total Tax Credits allocated to the Mortgaged Property and the Tax Credits claimed for the Mortgaged Property in the preceding year.

56. CROSS-DEFAULT. Borrower acknowledges and agrees that any default, event of default, or breach (however such terms may be defined) after the expiration of any applicable notice and/or cure periods under the Tax Credit Regulatory Agreement shall be an Event of Default under this Instrument and that any costs, damages or other amounts, including reasonable attorney's fees incurred by the Lender as a result of such an Event of Default by Borrower, including amounts paid to cure any default or event of default, under the Tax Credit Regulatory Agreement shall be an obligation of Borrower and become a part of the Indebtedness secured by this Instrument.

57. ANNUAL COMPLIANCE. Borrower shall submit to Lender on an annual basis, evidence that the Mortgaged Property is in ongoing compliance with all income, occupancy and rent restrictions under the Tax Credit Regulatory Agreement relating to the Mortgaged Property. Such submissions to Lender shall be made contemporaneously with the submission of reports to the Agency as required under the Tax Credit Regulatory Agreement.

6. Capitalized Terms. All capitalized terms used in this Exhibit not specifically defined herein shall have the meanings set forth in the text of the Instrument that precedes this Exhibit.

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

David J. McPherson, Esquire
Troutman Sanders LLP
1660 International Drive
Suite 600, Tysons Corner
McLean, Virginia 22102-3805

ASSIGNMENT OF SECURITY INSTRUMENT

**ASSIGNMENT OF SECURITY INSTRUMENT
(Revision Date 11-01-2000)**

FOR VALUABLE CONSIDERATION, THE CITY OF OCEANSIDE, a municipal corporation, organized and existing under the laws of the State of California (the "**Assignor**"), having its principal office at 321 N. Nevada Street, Oceanside, California 92054, Attn: Director of Housing and Neighborhood Services, hereby assigns, grants, sells and transfers to **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, a national banking association, duly organized and existing under the laws of the United States, having its principal place of business at 601 Union Street, Suite 520, Seattle, Washington 98101, Attn: _____ (the "**Assignee**"), and the Assignee's successors, transferees and assigns forever, all of the right, title and interest of the Assignor in and to the Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of 1st day of February, 2009 entered into by **SHADOW WAY APARTMENTS, LP**, a California limited partnership (the "**Borrower**") for the benefit of the Assignor, securing an indebtedness of the Borrower to the Assignor in the principal amount of \$15,000,000.00, and recorded in the land records of San Diego County, California prior to this Assignment, as modified by that certain Intercreditor Agreement, dated as of the 1st day of February, 2009, among Assignor, The Bank of New York Mellon Trust Company, N.A., as trustee, and Federal Home Loan Mortgage Corporation, and recorded in the land records of San Diego County, California prior to this Assignment (the "**Instrument**"), which indebtedness is secured by the property described in Exhibit A, attached to this Assignment and incorporated into it by this reference.

Together with the note or other obligation described in the Instrument and all obligations secured by the Instrument now or in the future.

IN WITNESS WHEREOF, the Assignor has executed this Assignment as of the 1st day of February, 2009.

ASSIGNOR:

THE CITY OF OCEANSIDE

By: _____

Name:

Title:

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of _____

County of _____

On _____ before me, _____,
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC",
personally appeared _____,
NAME(S) OF SIGNER(S)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

- INDIVIDUAL
- CORPORATE OFFICER:

TITLE(S)
- PARTNER(S): LIMITED
 GENERAL
- ATTORNEY-IN-FACT
- TRUSTEE(S)
- GUARDIAN/CONSERVATOR
- OTHER: _____

DESCRIPTION OF ATTACHED DOCUMENT

TITLE OR TYPE OF DOCUMENT

NUMBER OF PAGES

DATE OF DOCUMENT

SIGNER IS REPRESENTING:

NAME OF PERSONS OR ENTITY(IES)

SIGNER(S) OTHER THAN NAMED ABOVE

EXHIBIT A

Legal Description

Lots 1 and 2 of Murray Mission Unit No. 10 in the City of Oceanside, County of San Diego, State of California, according to Map thereof No. 11270, filed in the Office of the County Recorder of San Diego County on June 28, 1985.

**RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:**

David J. McPherson Esq.
Troutman Sanders LLP
1660 International Drive
Suite 600
McLean, VA 22102

Freddie Mac Loan No. _____

**CITY OF OCEANSIDE
as Issuer**

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

and

**FEDERAL HOME LOAN MORTGAGE CORPORATION,
as Freddie Mac**

INTERCREDITOR AGREEMENT

**\$15,000,000
CITY OF OCEANSIDE
VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS
(SHADOW WAY APARTMENTS PROJECT)
SERIES 2009**

Dated as of February 1, 2009

INTERCREDITOR AGREEMENT

THIS INTERCREDITOR AGREEMENT (this “Agreement”) is dated as of February 1, 2009, and is made among **CITY OF OCEANSIDE** (the “Issuer”), **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.** in its capacity as trustee (the “Trustee”), and **FEDERAL HOME LOAN MORTGAGE CORPORATION** (“Freddie Mac”).

RECITALS

Pursuant to, and in accordance with, the laws of the State of California (the “State”), and in accordance with Section 142(d) of the Internal Revenue Code of 1986, as amended (the “Code”), the Issuer has issued its Variable Rate Demand Multifamily Housing Revenue Bonds (Shadow Way Apartments Project) Series 2009, in the aggregate principal amount of \$15,000,000 (the “Bonds”). The Bonds were issued pursuant to the Trust Indenture dated as of February 1, 2009 between the Issuer and the Trustee (the “Indenture”). The proceeds of the Bonds were used by the Issuer to fund a mortgage loan (the “Bond Mortgage Loan”) to Shadow Way Apartments, L.P., a limited partnership duly organized and existing under the laws of the State of California (the “Borrower”) under a Financing Agreement dated as of February 1, 2009, among the Issuer, the Trustee and the Borrower (the “Financing Agreement”), and used by the Borrower for the sole and exclusive purpose of financing the acquisition, rehabilitation and equipping of a 144-unit multifamily housing project located in Oceanside, California, known as Shadow Way Apartments, which property is more particularly described in Exhibit A attached hereto and incorporated herein by this reference (the “Project”).

The Bond Mortgage Loan is evidenced by the Bond Mortgage Note executed by the Borrower in the amount of \$15,000,000 and payable to the order of the Trustee (the “Bond Mortgage Note”) and the Borrower’s obligations under the Bond Mortgage Note are secured by a [Multifamily Deed of Trust, Assignment of Rents and Security Agreement] dated as of February 1, 2009 (the “Bond Mortgage”) in favor of the Trustee encumbering the Project, which Bond Mortgage has been recorded in the official records of the Recorder’s Office of San Diego County, California (the “Official Records”) prior to the recordation of this Agreement. The Issuer assigned certain of its rights under the Financing Agreement to the Trustee pursuant to the Indenture.

The Borrower has requested that Freddie Mac execute and deliver to the Trustee a Credit Enhancement Agreement dated as of February 1, 2009 (the “Credit Enhancement Agreement”) to provide payment for and secure the payment of amounts owing under the Financing Agreement sufficient to pay the principal and interest on the Bonds, as well as the purchase price of the Bonds tendered or deemed tendered pursuant to terms of the Indenture for which remarketing proceeds are insufficient. Freddie Mac is executing and delivering the Credit Enhancement Agreement concurrently with the execution of this Agreement.

To evidence the Borrower’s reimbursement obligations to Freddie Mac as a result of payments made by Freddie Mac under the Credit Enhancement Agreement, the Borrower and Freddie Mac are entering into a Reimbursement and Security Agreement (the “Reimbursement Agreement”) contemporaneously with the execution hereof.

The Borrower's obligations to Freddie Mac under the Reimbursement Agreement will be secured by a [Second] Multifamily Deed of Trust, Assignment of Rents and Security Agreement] dated as of February 1, 2009 (as it may be amended or supplemented from time to time, including to secure Additional Loans (as defined herein) the "Reimbursement Mortgage"), encumbering the Project, which Reimbursement Mortgage will be recorded in the Official Records immediately after the recordation of the Bond Mortgage.

It is a condition to the delivery of the Credit Enhancement Agreement by Freddie Mac that the rights of the Issuer, the Trustee and Freddie Mac to enforce remedies under the Bond Mortgage and the Reimbursement Mortgage, respectively, be established between and among the parties hereto.

AGREEMENTS

NOW, THEREFORE, in consideration of the mutual promises contained herein and in order to induce Freddie Mac to execute and deliver the Credit Enhancement Agreement and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. *Defined Terms.* Unless otherwise defined herein, or unless the context clearly indicates otherwise, each term used in this Agreement including in the Recitals set forth above, and which is defined in the Indenture or the Reimbursement Agreement, as applicable, shall have the meaning given to such term by the Indenture or the Reimbursement Agreement.

As used herein, the following terms shall have the meanings set forth below:

"Bond Documents" means, collectively, the Indenture, the Bonds, the Financing Agreement, the Bond Mortgage Note, the Tax Regulatory Agreement, the Bond Mortgage, the Remarketing Agreement, any Tender Agent Agreement, this Agreement and any other document evidencing or securing the Bonds as such documents shall be amended, modified or supplemented from time to time.

"Credit Enhancement Documents" means, collectively, the Reimbursement Agreement, the Reimbursement Mortgage, the Pledge Agreement with respect to the Bonds, the Hedge Agreement, if any, and any other document evidencing or securing the obligations of the Borrower pursuant to the Reimbursement Agreement.

"Tax Regulatory Agreement" means the Regulatory Agreement and Declaration of Restrictive Covenants dated as of February 1, 2009 by and among the Borrower, the Issuer and the Trustee, to be recorded immediately prior to the Bond Mortgage in the Official Records, together with all supplements thereto.

"Wrongful Dishonor" means the failure of Freddie Mac to honor a draw made in accordance with the terms of the Credit Enhancement Agreement (which draw strictly complies with, and conforms to, the terms and conditions of the Credit Enhancement Agreement).

SECTION 2. *Rules of Construction.* The words “hereof,” “herein,” “hereunder,” “hereto,” and other words of similar import refer to this Agreement in its entirety.

The terms “agree” and “agreements” contained herein are intended to include and mean “covenant” and “covenants.”

References to Articles, Sections, and other subdivisions of this Agreement are to the designated Articles, Sections, and other subdivisions of this Agreement as originally executed. Reference herein to any document or instrument shall be deemed to include any amendments or supplements to, or restatements of, such documents or instrument.

The headings of this Agreement are for convenience only and shall not define or limit the provisions hereof.

All references made (a) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders, and (b) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well.

SECTION 3. *Exercise of Rights and Remedies by Freddie Mac.*

(A) Until either a Wrongful Dishonor has occurred and is continuing, or the Credit Enhancement Agreement terminates in accordance with its terms and all of the Borrower’s obligations to Freddie Mac under the Reimbursement Agreement shall have been paid in full:

(i) Except as provided in Sections 3(C) and 3(D), without the prior written consent of Freddie Mac, neither the Trustee nor the Issuer may exercise any of its rights and remedies as beneficiary under the Bond Mortgage or as a secured party with respect to the liens and security interests created by the Financing Agreement or take any action to cause a redemption or mandatory tender of the Bonds or to declare the outstanding balance of the Bonds or the Bond Mortgage Note to be due pursuant to the Indenture or the Financing Agreement or to foreclose the lien of the Bond Mortgage, to seek the appointment of a receiver or to collect rents or realize upon any other collateral held as security for the Bonds, declare a default or event of default, or file or join in the filing of any judicial proceeding to collect the indebtedness secured by the Bond Mortgage.

(ii) Any and all consents and approvals of the Trustee as beneficiary required under the Bond Mortgage shall be given only with the prior written consent of Freddie Mac, in its sole discretion.

(iii) Freddie Mac and the Trustee shall each be named as a mortgagee on all fire, extended coverage and other hazard insurance policies required under the Bond Mortgage and all proceeds shall be held and applied by Trustee in accordance with this paragraph. The application of the proceeds of insurance or condemnation (“Insurance/Condemnation Proceeds”) shall be solely as directed by Freddie Mac in accordance with the terms of the Reimbursement Mortgage and subject to the requirement that excess proceeds remaining after the use of such Insurance/Condemnation Proceeds for the repair, restoration, rebuilding or alteration of the Project and for payment of any costs incurred by Freddie Mac in connection with

such casualty or condemnation shall be deposited with the Trustee and applied in accordance with the Indenture to reimburse Freddie Mac for a drawing upon the Credit Enhancement Agreement for the purpose of redeeming the Bonds in accordance with the Indenture.

(iv) Except as provided in Sections 3(C) and 3(D), any and all demands permitted to be made by the beneficiary under the terms of the Bond Mortgage shall be made only by or at the written direction of Freddie Mac in its sole discretion (the beneficiary may request, however, that Freddie Mac, in its discretion, provide such direction).

(v) Except as provided in Sections 3(C) and 3(D), Freddie Mac in its sole discretion, shall have the sole right to direct the Trustee to waive or forbear any term, condition, covenant or agreement of the Bond Mortgage applicable to the Borrower as Trustor, or any breach thereof, other than a covenant that might adversely impact the tax-exempt status of the Bonds.

(vi) Except as provided in Sections 3(C) and 3(D), Freddie Mac shall control all of the Bond Mortgage Rights (as such term is defined below) and Freddie Mac shall have the right, power and authority to direct the Trustee with respect to all decisions in connection with the Bond Mortgage, which pursuant to its terms may be made by the beneficiary, except Freddie Mac shall *not* have the right to direct the Trustee to take or refrain from taking action that would adversely impact the tax-exempt status of the Bonds. The parties hereto agree that although all Bond Mortgage Loan payments are required to be made monthly under the Financing Agreement during a period while the Bonds bear interest at a Variable Rate and semiannually during a Reset Period or the Fixed Rate Period, the Borrower has agreed to make monthly Bond Mortgage Loan payments under the Reimbursement Agreement to the Servicer in the manner and at the times set forth in the Reimbursement Agreement. "Bond Mortgage Rights" collectively means, with respect to the Bond Mortgage Loan, all rights of the Issuer, the Trustee and/or the beneficiary under the Bond Mortgage (other than those rights specifically excluded below) including without limitation, the right to receive any and all Bond Mortgage Loan payments thereunder and all of the rights and interests under the Bond Mortgage, and to vest in its independent contractor, including the Servicer, such rights, powers and authority as may be necessary to implement any of the foregoing; "Bond Mortgage Rights" does not mean, and expressly excludes (a) the Issuer's rights under Sections [2.4, 2.5, 4.2, 4.3, 6.1 and 7.4] of the Financing Agreement; (b) the right to receive payments relating to the redemption premium of a redeemed Bond; (c) the Issuer's and the Trustee's right to require the Borrower to pay rebate, meet continuing disclosure requirements and the right to specifically enforce the Tax Regulatory Agreement; and (d) the Trustee's rights to specifically enforce the Borrower's obligations to make payments owing to the Trustee pursuant to Sections [2.4, 2.5, 4.2, 4.3, 6.1 and 7.4] of the Financing Agreement; *provided, however*, that the enforcement of such rights of the Trustee or the Issuer is limited as provided in Sections 3(C) and 3(D) (such rights are referred to herein as the "Mortgagee Retained Rights").

(vii) The Trustee and the Issuer covenant and agree neither to file nor join in the filing of any involuntary petition involving the Borrower under the federal bankruptcy laws or other federal or state reorganization, receivership, insolvency or similar proceeding without the prior written consent of Freddie Mac.

(viii) Neither the Trustee nor the Issuer shall acquire by subrogation, contract or otherwise any lien upon or other estate, right or interest in the Project or any rents or revenues therefrom that are not subject to the terms of this Agreement.

(ix) Upon the initiation of any liquidation or reorganization of the Borrower or any of the entities comprising Borrower or any of the partners of any such entity (Borrower and all such entities and partners hereinafter collectively referred to as the "Borrower Parties") in or by the filing of any bankruptcy, insolvency or receivership proceeding or upon the initiation of any involuntary liquidation, dissolution or reorganization proceeding involving a Borrower Party, then, in any such case, any payment or distribution, whether in cash, property or securities, to which Trustee or Issuer would be entitled pursuant to the Indenture, Bond Mortgage Note, Financing Agreement or Bond Mortgage, shall instead be paid over to Freddie Mac for application as provided in the Reimbursement Agreement until all amounts due to Freddie Mac under the Reimbursement Agreement have been paid in full.

(x) The Trustee and the Issuer irrevocably authorize Freddie Mac to take any action (but Freddie Mac has *no* obligation to take any such action, in which case the Trustee or the Issuer may proceed) with respect to any payment or distribution, whether in cash or securities, as described in Section (ix) above (in the name of Freddie Mac or in the name of the Trustee or Issuer, as Freddie Mac may deem necessary or advisable for the enforcement of the provisions of this Agreement):

- (1) demand, sue for, collect and receive every such payment or distribution described in Section (ix),
- (2) file claims and proofs of claims in any statutory or non-statutory proceeding,
- (3) vote the full amount of the Bond Mortgage Loan in its sole discretion in connection with any resolution, arrangement, plan of reorganization, compromise, settlement or extension, and
- (4) take all such other action (including, without limitation, the right to participate in any composition of creditors and the right to vote the amount of the Bond Mortgage Loan at creditors' meetings for the election of trustees, acceptances of plans and otherwise), as Freddie Mac may deem necessary or advisable for the enforcement of the provisions of this Agreement.

The Trustee and the Issuer agree, upon the initiation of any liquidation or reorganization of any Borrower Party by the filing of any bankruptcy, insolvency or receivership proceeding or upon the initiation of any involuntary liquidation, dissolution

or reorganization proceeding involving a Borrower Party, and at the sole expense of the Borrower or if the Borrower fails to pay, at the expense of Freddie Mac, promptly

(1) to take such action as may be requested at any time by Freddie Mac to deliver any instruments required to collect the amount of the Bond Mortgage Loan, on demand therefor, and

(2) to execute and deliver such powers of attorney (only with respect to the Trustee), assignments or other instruments as may be requested by Freddie Mac in order to enable Freddie Mac to enforce any and all claims upon or in respect of the Bond Mortgage Loan and to collect and receive any and all payments or distributions which may be payable or deliverable at any time upon or in respect of the Bond Mortgage Loan.

Nothing herein contained shall be deemed to preclude the Trustee and the Issuer from appearing or being heard in any bankruptcy, insolvency, or other similar proceedings affecting a Borrower Party, nor from collecting from a Borrower Party the full Bond Mortgage Loan amount due to the Trustee and the Issuer (through subrogation to the rights of Freddie Mac or otherwise) after all amounts due to Freddie Mac under the Reimbursement Agreement and the Reimbursement Mortgage shall have been paid in full nor from enforcing, in accordance with this Agreement, the Mortgagee Retained Rights.

For purposes of this Agreement, Freddie Mac's claim or entitlement in any bankruptcy proceeding for post-petition interest shall be senior to the Bond Mortgage Loan and the Bonds and subject to the rights, benefits, terms and provisions of this Agreement as if it were part of the Reimbursement Agreement obligations. The Trustee and the Issuer hereby agree not to seek adequate protection payments in any Borrower or Borrower Party bankruptcy proceeding without the prior written consent of Freddie Mac, which may be granted or withheld by Freddie Mac in its sole discretion. Further, at the sole expense of the Borrower or if the Borrower fails to pay, at the expense of Freddie Mac, the Trustee and the Issuer agree to join, and not object to, or otherwise contest any request for relief from the automatic stay of 11 U.S.C. § 362 requested by Freddie Mac in any bankruptcy proceeding of the Borrower, in order to enable Freddie Mac to foreclose or exercise any of its rights or remedies under the Reimbursement Mortgage to the Project.

The authorization of Freddie Mac set forth above in this subsection (x) shall not obligate Freddie Mac to take any such action.

(xi) Upon the occurrence and during the continuation of a default by the Borrower under the Reimbursement Mortgage, all amounts payable (including, but not limited to, any payment pursuant to an assignment of rents) under the Reimbursement Mortgage shall be paid to Freddie Mac (or the then owner of the Reimbursement Mortgage) in full before any payment or distribution, whether in cash or in other property, shall be made to Trustee or Issuer for the purpose of making Bond Mortgage Loan payments under the Financing Agreement. During the continuation of any default under the Reimbursement Mortgage, any payment or distribution, whether in cash or

other property, which would otherwise (but for the provisions contained in this Agreement) be payable or deliverable under the Bond Mortgage, shall be paid or delivered directly to Freddie Mac in satisfaction of any amounts payable (including, but not limited to, any payment pursuant to an assignment of rents) under the Reimbursement Mortgage, (including any interest thereon accruing after the occurrence of any such default) until all such amounts shall have been paid in full or the default shall have been cured or waived by Freddie Mac.

(xii) If any payment of the rents or other revenues arising from an assignment of rents contained in the Bond Mortgage or distribution of security or the proceeds of any of the foregoing is collected or received by Issuer or Trustee in contravention of any term, condition or provision of this Agreement, Issuer or Trustee, as applicable, immediately will deliver the same to Freddie Mac, in precisely the form received (except for the endorsement or the assignment by Issuer or Trustee, as applicable, where necessary), and, until so delivered, the same shall be held in trust by Issuer or Trustee, as applicable. The Issuer or Trustee shall not be required to deliver money paid by the Borrower pursuant to Sections [2.4, 2.5, 4.2, 4.3, 6.1 or 7.4] of the Financing Agreement (other than money required to be paid to Freddie Mac pursuant to the provisions of such sections) or any rebate payments due under the Indenture.

(xiii) Trustee or Issuer shall not have any right to contest any of the procedures or actions taken by Freddie Mac to exercise its remedies under the Reimbursement Agreement or the Reimbursement Mortgage so long as Freddie Mac is in compliance with its agreements hereunder.

(B) Freddie Mac shall have the right to delegate to the Servicer any of the Bond Mortgage Rights. Neither Freddie Mac nor the Servicer nor their respective officers, directors, employees or agents shall be liable to the Issuer or the Trustee for any action taken or omitted to be taken in good faith by such party in connection with the Bond Mortgage Loan by reason of such party's control of the Bond Mortgage Rights.

(C) If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in the Tax Regulatory Agreement, and if such default remains uncured for a period of 60 days after Borrower and Freddie Mac receive written notice from the Trustee or Issuer stating that a default has occurred pursuant to the Tax Regulatory Agreement, and specifying the nature of the default, the Issuer and the Trustee shall have the right to seek specific performance of the provisions of the Tax Regulatory Agreement, or to exercise their other rights or remedies thereunder; *provided, however*, that the Trustee shall not have the right to accelerate the Bond Mortgage Note or the Bonds, to cause the mandatory tender or redemption of the Bonds, to foreclose under the Bond Mortgage or take any other remedial action under any of the other Bond Documents. The Trustee and the Issuer agree to refrain from the exercise of such permitted remedies if Freddie Mac cures any such default by the Borrower within sixty (60) days after notice to Freddie Mac, if such default is capable of being cured by the payment of money or, in the event of any other default, Freddie Mac commences to cure such default and thereafter diligently proceeds with such cure.

(D) If the Borrower defaults in the performance of its obligations to the Issuer pursuant to Sections [2.4, 2.5, 4.2, 4.3, 6.1 or 7.4] of the Financing Agreement or the Borrower's obligation to comply with continuing disclosure requirements or to make payments to the Trustee owed pursuant to Sections [2.4, 2.5, 4.2, 4.3, 6.1 or 7.4] of the Financing Agreement for fees, expenses, rebate or indemnification, the Issuer or the Trustee shall have the right to exercise all its rights and remedies thereunder; *provided, however*, that neither the Issuer nor the Trustee shall have the right to accelerate the Bond Mortgage Note or the Bonds, to cause mandatory tender or redemption of the Bonds, to foreclose under the Bond Mortgage or take any other remedial action under any of the other Bond Documents. The Trustee and the Issuer agree to refrain from the exercise of such permitted remedies if Freddie Mac cures any such default by the Borrower within sixty (60) days after receipt by Freddie Mac of written notice of such default, if such default is capable of being cured by the payment of money or, in the event of any other default, Freddie Mac commences to cure such default and thereafter diligently proceeds with such cure, provided that such longer cure period may be agreed to by the Issuer and the Trustee upon receipt of an opinion of Bond Counsel that such period will not adversely affect the exemption of interest on the Bonds from gross income for federal income tax purposes.

(E) The Trustee and the Issuer each acknowledges that Freddie Mac or the Servicer may hold cash or other collateral and reserves to secure the Reimbursement Agreement, which collateral and reserves are not available as security for the Bonds. All cash collateral that is held by the Servicer that is primarily held as security for the payment of principal and interest on the Bonds or to reimburse Freddie Mac for payments made under the Credit Enhancement Agreement shall be invested in obligations the interest on which is excludable from gross income for federal income tax purposes. Freddie Mac agrees that it will instruct the Servicer (based upon the instruction of Bond Counsel) which funds and accounts held by the Servicer are subject to investment yield limitation as described in the Tax Certificate.

(F) The Trustee and the Issuer each acknowledges that Freddie Mac may make advances to the Borrower pursuant to the terms of the Reimbursement Agreement and the Reimbursement Mortgage, or any extension, modification, amendment, renewal, consolidation, increase, reinstatement or supplement thereto, and may make additional loans secured by additional mortgages on the Project ("Additional Loans"). The Trustee and the Issuer each acknowledges that the obligations evidenced by the Reimbursement Agreement and secured by the Reimbursement Mortgage, and the Additional Loans together with accrued interest thereon, plus fees, advances and expenses due and owing by the Borrower thereunder, as applicable, may increase in the future and the agreements of the Trustee and the Issuer set forth in this Agreement shall extend to such amounts that are currently, and that may become, due and owing under the Reimbursement Mortgage and the Additional Loans.

SECTION 4. *Exercise of Rights and Remedies by Trustee; Transfer of Bond Mortgage Loan.*

(A) Upon (a) the occurrence and during the continuation of a Wrongful Dishonor, or (b) upon the termination or replacement of the Credit Enhancement Agreement in accordance with its terms, and no further obligations of the Borrower to Freddie Mac under the Reimbursement Agreement remain outstanding, Freddie Mac shall not exercise the rights and

remedies referred to in Section 3 hereof without the prior written consent of the Trustee, and the actions set forth in Section 3 shall be taken by the Trustee in its sole discretion.

(B) Unless a Wrongful Dishonor shall have occurred and be continuing, neither the Trustee nor the Issuer shall, without the prior written consent of Freddie Mac, dispose of the Bond Mortgage Loan or transfer the Financing Agreement, the Bond Mortgage Note, the Bond Mortgage or any other related document or any right or interest in the Financing Agreement, the Bond Mortgage Note, the Bond Mortgage or any other related document other than, in the case of the Trustee, to a successor Trustee pursuant to the terms of the Indenture. As a condition to the effectiveness of any such transfer to a successor trustee, the successor trustee must execute an assumption agreement with respect to this Agreement and the Indenture in form and substance acceptable to Freddie Mac.

SECTION 5. *Application of Money Received Upon Exercise of Remedies under the Bond Mortgage.* Any and all amounts received or collected by the Trustee or Freddie Mac in payment of the Bond Mortgage Loan as a result of the exercise of set-off rights, the liquidation of any security interest created by the Bond Documents or the Credit Enhancement Documents the sale (by foreclosure, power of sale or otherwise) of the Project under the Bond Mortgage or the exercise of any remedies under any of the Bond Documents or the Credit Enhancement Documents against the Borrower or the Project (including rents received from the appointment of a receiver) shall be held by the Trustee or Freddie Mac, as the case may be, for the benefit of the Trustee and Freddie Mac and will be applied as follows:

(A) Until either (i) a Wrongful Dishonor has occurred and is continuing, or (ii) the Credit Enhancement Agreement expires, terminates or is replaced, and the Borrower has no further obligations to Freddie Mac under the Reimbursement Agreement and other documents evidencing or securing Additional Loans, such money held by the Trustee or Freddie Mac shall be applied in such manner and in such order as Freddie Mac, in its sole discretion, determines, subject, however, to the terms of the Reimbursement Mortgage and Reimbursement Agreement;

(B) Upon and following the occurrence and continuance of an event described in clause (A)(i) or clause (A)(ii) of this Section 5, such money held by the Trustee and Freddie Mac shall be applied in such manner and in such order (to the extent permitted by the Bond Documents, the Credit Enhancement Documents and applicable law) as the Trustee, in its sole discretion, determines as required under the terms of the Indenture.

SECTION 6. *Assignment of Rights.* The Issuer and the Trustee each hereby agree that, following a total defeasance of the Bonds, an acceleration of the principal amount of the Bonds or the calling of all Bonds for redemption or the cancellation of the Bonds, when Trustee holds Eligible Funds under the Indenture or in accordance with written instructions provided by Freddie Mac (whether as a result of the payment by Freddie Mac under the Credit Enhancement Agreement or otherwise) in an amount which shall be sufficient to pay:

(A) the principal of all Bonds then Outstanding and any redemption premium owed (provided Freddie Mac is *not* liable for any premium); and

(B) all accrued and unpaid interest on the Bonds then Outstanding to the date of redemption, acceleration or defeasance,

such that the obligation of Freddie Mac under the Credit Enhancement Agreement is deemed to be retired in full in accordance with its terms, then, in such event, the Issuer or the Trustee, as applicable, shall promptly do all of the following (but at the sole cost and expense of the Borrower):

(i) Use all funds drawn under the Credit Enhancement Agreement as may be necessary to promptly redeem, retire or defease all Outstanding Bonds at their face amount plus any accrued interest, and, in the event any excess funds were paid to the Trustee pursuant to a drawing under the Credit Enhancement Agreement, return said excess funds to Freddie Mac promptly;

(ii) At the option of Freddie Mac, either reconvey, release and cancel, or assign to Freddie Mac, all of their right, title and interest (other than their rights to be paid for services rendered and to be rendered and for fees and expenses incurred thereunder and to be indemnified pursuant thereto) under the Bond Documents, other than the Tax Regulatory Agreement, and execute, acknowledge and deliver to Freddie Mac such instruments and documents as may be reasonably necessary in connection with such reconveyance, release, cancellation or assignment;

(iii) Deliver to Freddie Mac, in such form and to such place, as Freddie Mac shall designate, all property due Freddie Mac pursuant to the provisions of the Indenture; and

(iv) Return the Credit Enhancement Agreement to Freddie Mac.

SECTION 7. *Substitution of Obligor.*

7.1 The Issuer and the Trustee agree that, should Freddie Mac succeed to the interest of the Borrower in the Project pursuant to a foreclosure sale or otherwise without having implemented the provisions of Section 6, then Freddie Mac shall have the right, but not the obligation, to be the successor to the Borrower for all purposes of the Bond Documents and Freddie Mac acknowledges and agrees that upon its election to succeed the Borrower, it shall be so treated as successor to the Borrower, *provided, however*, that any and all liability of Freddie Mac as successor in interest to the Borrower's interest under the Bond Documents shall be limited to the period it owns the Project. The Issuer and the Trustee agree that any such transfer of ownership of the Project shall not be deemed to violate any terms or conditions of the Bond Documents.

7.2 Following any succession by Freddie Mac (the "Successor Borrower"), to the right, title and interest of the Borrower in the Project pursuant to Section 7.1, the Successor Borrower or its designee shall have the right to sell, transfer and/or assign its interest in the Project to any person or entity, provided that the party purchasing the Project from the Successor Borrower or its designee delivers or causes to be delivered to the Issuer and the Trustee concurrently with such transfer: (i) if the Bonds remain Outstanding, a letter of credit or other credit enhancement facility that complies with all applicable requirements under the Indenture

and the Financing Agreement; (ii) a written instrument assuming and agreeing to perform all obligations of the Borrower under the Bond Documents to which the Borrower is a party accruing from and after the date of such transfer; (iii) an opinion of counsel to the transferee that such transferee has duly assumed the obligations of the Borrower under the Bond Documents to which the Borrower is a party, that such transferee is qualified to do so pursuant to the Bond Documents and applicable law, and that each of the Bond Documents to which the Borrower is a party is a binding obligation of the transferee; and (iv) an opinion of Bond Counsel that such transfer or substitution will not cause interest on the Bonds to be included in the gross income of any registered owner thereof for federal income tax purposes (except for interest on any Bond held by a “substantial user” of the Project or a “related person,” within the meaning of Section 147(a)(2) of the Internal Revenue Code of 1986, as amended). Upon completion of any transfer to the Successor Borrower or its designee, in accordance with this Section 7, the liability of the Successor Borrower or its designee, as applicable, or any purchaser from the Successor Borrower or its designee shall be limited to the period it owned the Project and the Successor Borrower or its designee, as applicable, shall thereafter be relieved of any further liability for obligations of the “Borrower” under the Bond Documents accruing from and after the date of such transfer. Any environmental liability that Freddie Mac may incur as a result of its ownership of the Project following a foreclosure or a deed in lieu of foreclosure shall be expressly limited by the provisions of any federal, state or local environmental statutes, rules, regulations or administrative procedures pertaining to “lender liability.”

7.3 The Issuer and the Trustee agree that any purchaser may succeed to the interest of the Borrower in the Project pursuant to a foreclosure sale or otherwise, provided that such purchaser delivers or causes the delivery of the documents described in Section 7.2.

SECTION 8. *Acknowledgement and Consent.* The Issuer and the Trustee acknowledge and consent to the granting by the Borrower to Freddie Mac of the Reimbursement Mortgage shall be a second priority mortgage lien on the Project (as defined in the Indenture). The Issuer and the Trustee acknowledge and agree that Freddie Mac *is* a third-party beneficiary of the Financing Agreement with the right to enforce the provisions of such Financing Agreement subject to the terms of this Agreement. The Issuer and Trustee also recognize and agree that the Bond Mortgage requires the Borrower to provide certain notices, deposits and reports which are duplicative of requirements contained in the Reimbursement Mortgage. [The Issuer and Trustee hereby agree that to the extent the Borrower is in compliance with such requirements as set forth in the Reimbursement Mortgage, compliance with like terms in the Bond Mortgage shall be waived.]

SECTION 9. *Bond Mortgage Loan Servicing.* The identity of the Servicer being of material importance to Freddie Mac, this Agreement is accepted by Freddie Mac on the basis, and with the understanding, that the Servicer will be determined solely by Freddie Mac. The term “Servicer” as used in this Agreement shall mean a multifamily seller and servicer approved by Freddie Mac, which initially shall be Prudential Affordable Mortgage Company and any permitted successor or assign under the Freddie Mac Multifamily Seller/Servicer Guide (the “Guide”) or any other person designated by Freddie Mac to service the Bond Mortgage Loan.

Accordingly, so long as the Credit Enhancement Agreement is in effect or obligations of the Borrower to Freddie Mac under the Reimbursement Agreement remain outstanding, and no

Wrongful Dishonor has occurred and is continuing, the Issuer and the Trustee agree that Freddie Mac shall, in its discretion, have the sole and exclusive right to (a) appoint the Servicer and arrange for the servicing of the Bond Mortgage Loan and the Bond Mortgage or Financing Agreement, provided such servicing shall be performed by a Freddie Mac approved seller-servicer in accordance with the terms and conditions of the Guide, and (b) remove the Servicer (for any reason), terminate its right to service the Bond Mortgage Loan, and appoint a new Servicer.

The Issuer and the Trustee further acknowledge and agree that the Guide is subject to amendment or termination without the consent of the Issuer, the Trustee or the Borrower (provided that no such amendment shall adversely affect the rights of Issuer or Trustee or in any way operate to modify the provisions of the Financing Agreement, the Commitment or affect the tax status of the Bonds) and that none of the Issuer, the Trustee or the Borrower shall have any rights under or be a third-party beneficiary of the Guide. The Trustee and the Issuer acknowledge and agree that the Servicer shall have no duties or obligations to the Trustee, the Issuer or the Borrower under the Guide or otherwise, except as expressly set forth in the Bond Documents. The Trustee and the Issuer acknowledge and agree that any Servicer designated by Freddie Mac shall be paid a fee by the Borrower for its services. None of the Issuer, the Trustee or Freddie Mac shall have the obligation to pay such fees from their own funds. In the event the Borrower fails to make any payment relating to fees, expenses or indemnification obligations to the Issuer or Trustee as required under the Financing Agreement, the party which has not received such payment shall immediately notify the Servicer of such failure.

SECTION 10. *Representations, Warranties and Covenants.*

(A) The Issuer represents, warrants and covenants to the other parties hereto that:

(i) The Issuer has not received a notice in writing from the Internal Revenue Service alleging that any event or act has occurred in the operation and management of the Project that would adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes or a notice in writing from the Trustee concerning any event of default under any Bond Document.

(ii) The Issuer has all necessary power and authority to execute, deliver and perform its obligations under and has duly authorized the execution, delivery and performance of this Agreement. This Agreement is a legal, valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms, subject to (a) applicable limitations of bankruptcy or equitable principles affecting the enforcement of creditors' rights, the effect of general principles of equity, including without limitation, concepts of materiality, reasonableness, good faith or fair dealing, and the possibility of the unavailability of specific performance or injunctive relief, (b) the exercise of judicial discretion and (c) any limitation of the legal remedies against public entities in the State.

(iii) The Issuer will not knowingly take or permit, or knowingly omit to take or cause to be taken any action within its control that would adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

(B) The Trustee represents, warrants and covenants to the other parties hereto that:

(i) The Trustee has no knowledge of and has no reason to believe that any event or act has occurred that would adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or of any event of default under any Bond Document.

(ii) The Trustee has all necessary power and authority to execute, deliver and perform its obligations under and has duly authorized the execution, delivery and performance of this Agreement. This Agreement is a legal, valid and binding obligation of the Trustee enforceable against the Trustee in accordance with its terms except as enforceability may be limited by bankruptcy, moratorium, insolvency and similar laws affecting creditors' rights generally and general principles of equity.

(iii) The Trustee will not knowingly take or permit, or knowingly omit to take or cause to be taken, any action within its control that would adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

(C) Freddie Mac represents, warrants and covenants to the other parties hereto that:

(i) Freddie Mac has all necessary power and authority to execute, deliver and perform its obligations under and has duly authorized the execution, delivery and performance of this Agreement. This Agreement is a legal, valid and binding obligation of Freddie Mac enforceable against Freddie Mac in accordance with its terms except as enforceability may be limited by bankruptcy, moratorium, insolvency and similar laws affecting creditors' rights generally and general principles of equity.

(ii) Freddie Mac will not knowingly take or permit, or knowingly omit to take or cause to be taken any action within its control that would adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

SECTION 11. *Subrogation.*

The Issuer and the Trustee agree that Freddie Mac shall be subrogated to their rights and remedies under the Bond Documents (except with respect to any Mortgagee Retained Rights) upon and to the extent of Freddie Mac's payment (whether pursuant to the Credit Enhancement Agreement or otherwise) of the principal of or interest on the Bonds or the payment or performance of any obligation under the Bond Documents. The Issuer and the Trustee agree to cooperate with Freddie Mac at the sole expense and liability of Freddie Mac in connection with Freddie Mac's enforcement of any of such rights and remedies and, except as permitted under the terms of this Agreement, agree not to take any actions that would prejudice the exercise of such rights of subrogation unless in the opinion of Bond Counsel delivered to Issuer, Trustee and Freddie Mac such action is necessary to preserve the exemption of interest on the Bonds from gross income for federal income tax purposes.

with a copy to: Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive
McLean, Virginia 22102
Attention: Associate General Counsel – Multifamily,
Legal Division
Telephone: (703) 903-2000
Facsimile: (703) 903-2885

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

The Servicer: Prudential Affordable Mortgage Company
8401 Greensboro Drive, 2nd floor
McLean, Virginia 22102
Attn: President - Affordable Housing
Telephone: (703) 610-1340
Facsimile: (703) 610-1405

A duplicate copy of each notice or other communication given hereunder by any party to the Servicer shall also be given to Freddie Mac.

The Trustee agrees to accept and act upon facsimile transmissions of written instructions and/or directions pursuant to this Agreement.

SECTION 15. *Benefit of Agreement.* This Agreement shall be binding upon and inure to the benefit of the Issuer, the Trustee, the Servicer and Freddie Mac and their respective successors and assigns. No other party shall be entitled to any benefits hereunder, whether as a third-party beneficiary or otherwise. This Agreement shall be deemed terminated with respect to Freddie Mac without the necessity for further or confirmatory instruments upon the earlier of (i) the date, if any, upon which an Alternate Credit Facility is delivered to replace the Credit Enhancement Agreement unless the Alternate Credit Facility Provider replaces Freddie Mac hereunder, (ii) the date that the Indenture is released and terminated or (iii) the date that the Indenture is released and terminated and, in the case of (i) and (ii) immediately above, all of the Borrower's obligations to Freddie Mac under the Reimbursement Agreement shall have been paid in full.

SECTION 16. *Counterparts.* This Agreement may be executed in any number of counterparts and all of such counterparts shall together constitute one and the same instrument.

SECTION 17. *Acknowledgment and Consent Regarding Reimbursement Mortgage.* The Issuer and the Trustee agree and acknowledge that to the extent the Bond Mortgage grants or reserves to the Borrower any rights that are not granted or reserved to the

Borrower under the Reimbursement Mortgage, Borrower must comply with the terms of the Reimbursement Mortgage and a failure to do so shall be an Event of Default under the Reimbursement Agreement.

SECTION 18. *Trustee.* The Trustee accepts the duties imposed upon it by this Agreement and agrees to perform those duties but only upon and subject to the following express terms and conditions:

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

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

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

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

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

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

SECTION 19. *Invalidity.* The invalidity or unenforceability of any provision of this Agreement shall not affect the validity of any other provision and all other provisions shall remain in full force and effect.

SECTION 20. *Time is of the Essence.* Time is of the essence of this Agreement.

SECTION 21. *Controlling Instrument.* This Intercreditor Agreement controls over any contrary provisions of the Bond Documents.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their respective duly authorized officers as of the date first above written.

CITY OF OCEANSIDE

By: _____
Name:
Title:

NOTARY ACKNOWLEDGMENT STATEMENT

State of California)

County of _____)

On _____, before me, _____ (here insert name and title of the officer), personally appeared _____

(here insert name(s) of signers), who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ [SEAL]

[ISSUER'S SIGNATURE PAGE TO *SHADOW WAY* INTERCREDITOR AGREEMENT]

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

By: _____
Name:
Title:

NOTARY ACKNOWLEDGMENT STATEMENT

State of California)

County of _____)

On _____, before me, _____ (here insert name and title of the officer), personally appeared Andrew Fung, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ [SEAL]

[Trustee's Signature Page to *Shadow Way* Intercreditor Agreement]

EXHIBIT A

LEGAL DESCRIPTION

Lots 1 and 2 of Murray Mission Unit No. 10 in the City of Oceanside, County of San Diego, State of California, according to Map thereof No. 11270, filed in the Office of the County Recorder of San Diego County on June 28, 1985.

BOND PURCHASE AGREEMENT

\$15,000,000
City of Oceanside
Variable Rate Demand Multifamily Housing Revenue Bonds
(Shadow Way Apartments Project)
Series 2009

February 18, 2009

City of Oceanside
321 N. Nevada Street
Oceanside, CA 92054
Attention: Director of Housing & Neighborhood Services

Shadow Way Apartments, LP
c/o Shadow Way Holdings, LLC
26522 La Alameda, Suite 260
Mission Viejo, CA 92691
Attn: Kipling Sheppard

Ladies and Gentlemen:

Stone & Youngberg LLC (the "Underwriter"), on behalf of itself and not as your fiduciary, hereby offers to enter into this Bond Purchase Agreement (this "Bond Purchase Agreement") with the City of Oceanside (the "Issuer") and Shadow Way Apartments, LP, a California limited partnership (the "Borrower"). This offer is made subject to the Issuer's and the Borrower's acceptance on or before 2:00 p.m., New York time, on the date hereof, and, if not so accepted, will thereafter be subject to withdrawal by the Underwriter upon written notice delivered to the Issuer and the Borrower at any time prior to the acceptance hereof by the Issuer and the Borrower. Upon the execution by all parties hereto, this Bond Purchase Agreement shall be deemed to be fully executed and effective as of 2:00 p.m., New York time, on the date hereof.

Section 1. Introduction. The Issuer is authorized to issue the above-captioned bonds (the "Bonds") pursuant to the Act and a resolution adopted by the Issuer (the "Resolution"). The Bonds shall be as described in and shall be issued pursuant to a Trust Indenture, dated as of February 1, 2009 (the "Indenture"), by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Capitalized terms used herein but not defined herein shall have the meanings assigned thereto in the Indenture.

The proceeds of the Bonds are expected to be used by the Issuer to fund a mortgage loan (the "Bond Mortgage Loan") to the Borrower pursuant to a Financing Agreement, dated as of the date of the Indenture (the "Financing Agreement"), among the Issuer, the Borrower and the Trustee, for the purpose of financing a portion of the costs of the acquisition, rehabilitation and equipping of a multifamily rental housing development located in the City of Oceanside, and known as the Shadow Way Apartments (the "Project"). The Bond Mortgage Loan will be evidenced by a non-recourse Bond Mortgage Note, dated as of the date of the Indenture (the "Bond Mortgage Note") executed by the Borrower in favor of the Issuer and secured by a First Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of the date of the Indenture (the "Bond Mortgage"), executed by the Borrower and

delivered to the Issuer with respect to the Project. The Bond Mortgage Note will be endorsed by the Issuer to the Trustee and the Bond Mortgage will be assigned by the Issuer to the Trustee.

The Borrower will cause to be provided to the Trustee a Credit Enhancement Agreement (the "Credit Enhancement Agreement") by and between the Trustee and the Federal Home Loan Mortgage Corporation ("Freddie Mac"). The Credit Enhancement Agreement will provide for (i) draws in an amount equal to Guaranteed Payments with respect to the Bond Mortgage Loan and (ii) liquidity draws by the Trustee to the extent remarketing proceeds are insufficient to pay the Purchase Price of the Bonds (other than Purchased Bonds) while the Bonds bear interest at a Variable Rate.

To evidence the repayment obligations of the Borrower to Freddie Mac as a result of payments made by Freddie Mac under the Credit Enhancement Agreement, the Borrower and Freddie Mac will enter into a Reimbursement and Security Agreement, dated as of the date of the Indenture (the "Reimbursement Agreement"). To secure the obligations of the Borrower to Freddie Mac under the Reimbursement Agreement, the Borrower will execute and deliver for the benefit of Freddie Mac a Second Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of the date of the Indenture (the "Reimbursement Mortgage"). The Issuer, the Trustee and Freddie Mac will also enter into an Intercreditor Agreement, dated as of the date of the Indenture (the "Intercreditor Agreement"), in connection with the delivery of the Credit Enhancement Agreement.

Section 2. Purchase, Sale and Delivery of the Bonds. On the Closing Date, on the basis of the representations, warranties and agreements contained herein, but subject to the terms and conditions herein, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell to the Underwriter, all but not less than all of the principal amount of the Bonds for a purchase price of 100% of the principal amount of the Bonds. The Bonds shall initially bear interest at the Variable Rates, mature on the dates and have such other terms as described in the Official Statement (as defined herein). The Borrower agrees to pay to the Underwriter, as compensation for its services, an underwriting fee equal to _____% of the aggregate principal amount of the Bonds (the "Underwriting Fee"). The Underwriting Fee shall be due and payable in immediately available funds on the Closing Date, solely and exclusively from funds provided by or on behalf of the Borrower.

The Issuer will deliver the Bonds to or for the account of the Underwriter against payment of the purchase price therefor by wire transfer of immediately available funds to the Trustee at or prior to 10:00 a.m., Pacific time, on February 19, 2009, or at such other time not later than seven days thereafter as the Underwriter, the Borrower and the Issuer shall mutually agree (the "Closing Date"). One Bond will be delivered, registered in the name of Cede & Co. to the Trustee as agent for The Depository Trust Company on or prior to the Closing Date. The Bonds may be in printed, engraved, typewritten or photocopied form, and each such form shall constitute a "definitive" form.

With its acceptance hereof, the Issuer will deliver, at the Borrower's expense, to the Underwriter no later than seven Business Days prior to the Closing Date (or on a later date as may be consented to by the Underwriter), copies of the final Official Statement relating to the Bonds (the "Official Statement") in an amount mutually agreed upon together with all supplements and amendments thereto with only such changes therein as shall have been accepted by the Underwriter, signed by the Issuer and the Borrower.

The Issuer and the Borrower hereby ratify and consent to the use of the Official Statement by the Underwriter in conjunction with the public offering and pricing of the Bonds on and after the Closing Date.

The Issuer agrees with the Underwriter that if between the date of this Bond Purchase Agreement and the date which is the earlier of (i) 90 days from the end of the "underwriting period," as determined

below or (ii) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository, but in no case less than 25 days following the end of the underwriting period, any event shall occur which would or might cause the information supplied by or concerning the Issuer, contained in the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of circumstances under which they were made, not misleading, the Issuer shall notify the Underwriter thereof, and if in the reasonable opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Issuer shall cooperate with the Underwriter in implementing or amending the Official Statement, the printing of which will be at the Underwriter's expense, in such form and manner and at such time or times as may be reasonably called for by the Underwriter.

Unless otherwise notified in writing by the Underwriter on or prior to the Closing Date, the Issuer and the Borrower can assume that the "end of the underwriting period" for the Bonds for purposes of the Rule is the Closing Date. In the event such notice is given in writing by the Underwriter, which notice shall state whether it relates to the Bonds, the Underwriter agrees to notify the Issuer and the Borrower in writing following the occurrence of the "end of the underwriting period" (as defined in the Rule) for the Bonds identified in such notice. The "end of the underwriting period" as used herein shall mean the Closing Date or such later date as to which notice is given by the Underwriter in accordance with the preceding sentence.

At or prior to Closing Date, the Underwriter shall file, or cause to be filed, the Official Statement with a nationally recognized municipal securities information repository.

Section 3. Bond Documents. On or prior to the Closing Date, the Underwriter shall have received a copy of each of the following documents, duly executed by all parties thereto or certified to the satisfaction of the Underwriter:

- (a) Indenture;
- (b) Financing Agreement;
- (c) Regulatory Agreement (including the Freddie Mac Rider thereto);
- (d) Bond Mortgage;
- (e) Bond Mortgage Note;
- (f) Bonds; and
- (g) Bond Purchase Agreement.
- (h) Remarketing Agreement;
- (i) Credit Enhancement Agreement;
- (j) Reimbursement Mortgage;
- (k) Reimbursement Agreement;
- (l) Intercreditor Agreement; and

(m) Official Statement.

The documents in (a) through (m) above are collectively referred to herein as the “Bond Documents.” The Bond Documents to which the Issuer is a party are referred to herein as the “Issuer Documents.” The Bond Documents to which the Borrower is a party are referred to herein as the “Borrower Documents.” The Bond Documents to which the Trustee is a party are referred to herein as the “Trustee Documents.”

Section 4. Representations, Warranties and Agreements of the Issuer. The Issuer represents, warrants to, and covenants and agrees with, the Underwriter that:

(a) On the date hereof and on the Closing Date, the statements and information pertaining to the Issuer, including, without limitation, its functions, duties and responsibilities, contained in the Official Statement, are and will be true, correct and complete in all material respects, and the Official Statement does not and will not omit any statement or information which is necessary to make such statements and information pertaining to the Issuer, including without limitation, its functions, duties and responsibilities, in light of the circumstances under which they are made, not misleading in any material respect.

(b) To the Issuer’s actual knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the Issuer in any way:

(i) Affecting the organization of the Issuer, or the legal or corporate existence of the Issuer, or the title of the members of the Issuer to their respective offices, or any powers of the Issuer under the Constitution or the laws of the State pursuant to which the Issuer was created;

(ii) Seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds or the collection of revenues from the Borrower derived from payments under the Financing Agreement, or the pledge thereof;

(iii) Contesting or affecting the validity or enforceability of the Bonds or the Issuer Documents;

(iv) Contesting the power of the Issuer to enter into, execute and deliver the Issuer Documents or to consummate the transactions contemplated by such documents and the Official Statement;

(v) Contesting in any way the completeness or accuracy of the Official Statement or any amendment or supplement thereto (nor to the actual knowledge of the Issuer, is there any basis therefor); or

(vi) Wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Issuer Documents.

(c) The Issuer is a municipal corporation, duly organized and existing under the laws of the State, and has, and at the Closing Date will have, full legal right, power and authority under the Constitution and the laws of the State: (i) to enter into the Issuer Documents; (ii) to adopt the Resolution; (iii) to issue, sell and deliver the Bonds to the Underwriter under the Indenture and as provided herein; (iv) to pledge and assign the revenue, other money, securities, funds, accounts, guarantees, insurance, and other items pledged under the terms of the Indenture, as provision of and security for the payment of the principal of and interest on the Bonds, and to similarly pledge all money, securities and earnings held in

the funds and accounts held under the Indenture, all in the manner described in the Resolution, the Indenture and the Financing Agreement; and (v) to carry out, give effect to and consummate all the other transactions contemplated by the Issuer Documents, the Resolution and the Official Statement.

(d) The Issuer has duly and validly adopted the Resolution, has duly authorized and approved the execution and delivery of the Bonds, the Issuer Documents and the Official Statement, and has duly authorized and approved the performance by the Issuer of its obligations contained in, and the taking of any and all action as may be necessary to carry out, give effect to and consummate the transactions contemplated by, each of those documents, and at the Closing Date, the Bonds and the Issuer Documents will constitute the valid, legal and binding obligations of the Issuer (assuming due authorization, execution and delivery by the other parties thereto, where necessary) in accordance with their respective terms and the Resolution and will be in full force and effect.

(e) The Issuer's execution and delivery of the Bonds and the Issuer Documents, the Issuer's consummation of the transactions contemplated by such documents, and the Issuer's fulfillment of or compliance with the terms, conditions or provisions thereof will not conflict with, violate or result in the breach of any of the terms, conditions or provisions of any constitutional provision or statute of the State or of any agreement, instrument, statute, governmental rule or regulation, law and order, judgment or decree to which the Issuer is now a party or by which it is bound, and will not constitute a default under any of the foregoing which has not been waived or consented to in writing by the appropriate party or parties, and will not result in the creation or imposition of any lien, charge, security interest or encumbrance of any nature upon any property or assets of the Issuer prohibited under the terms of any such agreement, instrument, statute, governmental rule or regulation, court order, judgment or decree.

(f) Upon delivery of the Bonds, the Issuer will have good right, full power and lawful authority to pledge and assign the trust estate described in the Indenture to the Trustee as provided in the Indenture and the Resolution.

(g) The Issuer has complied, and will at the Closing Date be in compliance, in all respects with the Resolution and the Issuer Documents.

(h) All approvals, consents, authorization, elections and orders of or filings or registrations with any governmental authority, board, agency or Issuer having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Issuer of its obligations hereunder or under the Bonds or any of the Issuer Documents have been obtained and are in full force and effect.

(i) The Bonds and the Issuer Documents conform (or on the Closing Date will conform) to the descriptions thereof contained in the Official Statement.

(j) The Bonds, when delivered in accordance with the Indenture and paid for by the Underwriter on the Closing Date as provided herein, will be validly issued and outstanding limited obligations of the Issuer entitled to all the benefits and security of the Indenture.

(k) The Issuer will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the Bonds for offer and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate, provided that in connection therewith the Issuer shall not be required to file a general consent to service of process in any jurisdiction. In particular, the Issuer will comply with all securities laws, rules and regulations relating to continuing disclosure applicable to the Bonds or the Project, and will cause the Borrower and any other parties to

which such laws, rules and regulations apply to comply with such requirements at all times that any of the Bonds are outstanding.

(l) Any certificate signed by any Authorized Officer of the Issuer shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein.

The execution and delivery of this Bond Purchase Agreement by the Issuer shall constitute a representation to the Underwriter that the representations and warranties contained in this Section are true as of the date hereof.

Section 5. Representations, Warranties and Covenants of the Borrower. The Borrower represents and covenants with the Issuer and the Underwriter as follows:

(a) The Borrower is duly organized and existing as a limited partnership under the laws of the State of California, has full legal right, power and authority to own its properties and to conduct its business as described in the Borrower Documents and to enter into and to carry out and consummate the transactions contemplated by the Borrower Documents, and is duly qualified to do such business and is in good standing wherever such qualification and/or standing are required, including the State.

(b) By all necessary action, the Borrower has duly authorized and adopted the Borrower Documents and approved the execution and delivery of the Borrower Documents, and the performance by the Borrower of the obligations in connection with the issuance of the Bonds on its part contained in the Borrower Documents and the consummation by it of all other transactions contemplated by the Indenture and the Borrower Documents in connection with the issuance of the Bonds.

(c) On the Closing Date, the Borrower Documents will constitute the valid, legal and binding obligations of the Borrower (assuming due authorization, execution and delivery by the respective other parties thereto, where necessary), enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability affecting the enforcement of creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in equity or in law.

(d) As of the date hereof, the Borrower is not in any material respect in violation of, breach of or default under any applicable constitutional provision or law of any state or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note agreement (including, without limitation, the Borrower Documents) or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound, which violation or breach of or default would have a material adverse affect upon the transactions contemplated by the Borrower Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instruments; and the execution and delivery of the Borrower Documents, and compliance with the provisions on the Borrower's part contained therein, do not and will not conflict with or constitute on the part of the Borrower a violation or breach of or default under any constitutional provision or law of any state or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note agreement (including, without limitation, the Borrower Documents) or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound which breach or default would have a material adverse affect upon the transactions contemplated by the Borrower Documents, the Bonds or the Project, nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other

security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower or under the terms of any such law, regulation or instrument, except as provided by the Bonds or the Borrower Documents.

(e) All consents, approvals, authorizations, and orders of or filings or registrations with any governmental authority, board, agency or commission of any state or of the United States having jurisdiction required in connection with, or the absence of which would materially adversely affect, the execution and delivery by the Borrower of the Borrower Documents or the performance by the Borrower of its obligations thereunder have been obtained or made and are in full force and effect.

(f) As of the date hereof, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any judicial or administrative court or governmental agency or body, state, federal or other, pending or, to the best knowledge of the Borrower, threatened against the Borrower, affecting the existence of the Borrower or the titles of its officers executing this Bond Purchase Agreement to their respective offices, or contesting or affecting as to the Borrower the validity or enforceability of the Act, the Bonds, any Borrower Document or the execution and delivery or adoption by the Borrower of any Borrower Document, or in any way contesting or challenging the completeness or accuracy of the Official Statement or the powers of the Borrower or its authority with respect to the Borrower Documents or the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the Borrower, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the Borrower's financial condition or operations or the validity of the authorization, execution, delivery or performance by the Borrower of any Borrower Document.

(g) The Borrower will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Borrower shall not be required to register as a dealer or broker of securities or execute a general or special consent to service of process or qualify to do business in any jurisdiction where it is not now so subject.

(h) Any certificate signed by the Borrower and delivered to the Underwriter or the Issuer pursuant to the Indenture or the Borrower Documents shall be deemed a representation and warranty by the Borrower to the Underwriter and the Issuer as to the statements made therein.

(i) The Borrower will not take or omit to take any action, which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds under the Internal Revenue Code of 1986, as amended, other than the purchase of the Bonds by a substantial user of a related party as defined in the Internal Revenue Code of 1986.

(j) The Borrower shall honor all other covenants contained in the Borrower Documents, which agreements are incorporated herein and made a part of this Bond Purchase Agreement.

(k) The Borrower hereby represents that the information in the Official Statement under the headings "ESTIMATED SOURCES AND USES OF FUNDS," "THE BORROWER AND THE PROJECT" and "NO LITIGATION—The Borrower" does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

The execution and delivery of this Bond Purchase Agreement by the Borrower shall constitute a representation to the Underwriter that the representations and warranties contained in this Section are true and correct in all material respects as of the date hereof.

Section 6. Conditions to Obligations of the Underwriter. The obligation of the Underwriter to purchase the Bonds on the Closing Date and the obligation of the Issuer to sell the such Bonds to the Underwriter on such date shall be subject to the following conditions precedent:

(a) The representations of the Issuer and the Borrower herein and the representations and warranties made in each of the Bond Documents by the respective parties thereto shall be true and correct on the date hereof and the Closing Date, as if made on the Closing Date, and each such party to the Bond Documents shall deliver a certificate to such effect. The Issuer and the Borrower shall have performed all of its obligations hereunder, and the Issuer and the Borrower shall deliver a certificate to such effect. The Official Statement (as the same may be amended or supplemented with the written approval of the Underwriter) shall be true and correct in all material respects and shall not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(b) Except as may have been agreed to by the Underwriter, as of the Closing Date, each of the Bond Documents and all other official action of the Issuer relating thereto shall be in full force and effect and shall not have been amended, modified or supplemented, and the Official Statement shall not have been amended or supplemented.

(c) As of the Closing Date, the Issuer and the Underwriter shall have received the legal opinions of Bond Counsel, in substantially the forms set forth in Appendix B to the Official Statement, and as of the Closing Date, the Underwriter shall have received a supplemental opinion of said firm dated the Closing Date and addressed to the Underwriter in substantially the form set forth in Exhibit A hereto.

(d) No default or event of default (as defined in any of the Bond Documents) shall have occurred and be continuing, and no event shall have occurred and be continuing which, with the lapse of time or the giving of notice or both, would constitute such a default or event of default.

(e) No material adverse change shall have occurred, nor shall any development involving a prospective material and adverse change in, or affecting the affairs, business, financial condition, results of operations, prospects or properties (including the Project) of, any of the Issuer, Freddie Mac or the Borrower have occurred between the date hereof and the Closing Date.

(f) On or prior to the Closing Date, all actions required to be taken as of the Closing Date in connection with the Bonds and the Bond Documents by the Issuer, the Borrower and Freddie Mac shall have been taken, and the Issuer, the Borrower and Freddie Mac shall each have performed and complied with all agreements, covenants and conditions required to be performed or complied with by the Bond Documents, and the Issuer and the Borrower shall deliver a certificate to such effect insofar as the foregoing actions, agreements, covenants and conditions apply to each such party, and each of such agreements shall be in full force and effect and shall not have been amended, modified or supplemented, except as has been agreed to by the Underwriter.

(g) As of the Closing Date, each of the Bond Documents shall have been executed and delivered by each of the respective parties thereto, all such documents shall be in forms exhibited to the Underwriter on the date hereof with only such changes as the Underwriter may approve, and each of the Bond Documents shall be in full force and effect.

(h) None of the events referred to in Section 7 of this Bond Purchase Agreement shall have occurred.

(i) As of the Closing Date, the Underwriter shall have received opinions of counsel to the Issuer which, taken together, are substantially in the form set forth in Exhibit B hereto. The Borrower hereby authorizes and directs its counsel to render such opinions to and for the benefit of the Underwriter.

(j) As of the Closing Date, the Underwriter shall have received written evidence that Standard & Poor's has issued ratings of "AAA/A-1+" with respect to the Bonds, and as of the Closing Date, the ratings shall not have been withdrawn or lowered.

(k) As of the Closing Date, the Underwriter shall have received a certificate of the Borrower before each such date to the effect that (A) each of the representations and warranties set forth in the Borrower Documents (including this Bond Purchase Agreement) is true and correct in all material respects on the Closing Date with the same effect as if made on the Closing Date, (B) no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which is necessary to be disclosed therein in order to make the statements and information therein not misleading in any material respect, and (C) the Borrower has complied with all agreements and satisfied all the conditions on its part to be performed or satisfied under the Borrower Documents at or prior to the Closing Date;

(l) As of the Closing Date, the Underwriter shall have received the opinion of Kutak Rock LLP, outside counsel to Freddie Mac, to the effect that the information in the Official Statement under the headings "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—The Credit Enhancement Agreement," "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT" and "SUMMARY OF CERTAIN PROVISIONS OF THE INTERCREDITOR AGREEMENT" and Appendix C to the Official Statement, to the extent that such information and definitions purport to summarize the Reimbursement Agreement and the Intercreditor Agreement, and set forth in the Credit Enhancement Agreement constitute fair and accurate summaries or reproductions, as appropriate, thereof in all material respects.

(m) As of the Closing Date, the Underwriter shall have received the opinion of General Counsel to Freddie Mac in the form and substance attached hereto as Exhibit C.

(n) As of the Closing Date, the Underwriter shall have received a certificate of Freddie Mac that the information regarding Freddie Mac set forth in the Official Statement is accurate and may be used therein.

(o) The Underwriter shall have received a certificate of the Borrower and the Issuer, dated the Closing Date, in form and substance satisfactory to the Underwriter and to Bond Counsel, respecting certain tax matters as may be reasonably required by Bond Counsel to enable it to give its opinion.

(p) As of the Closing Date, the Underwriter shall have received an opinion of its counsel substantially in the form set forth in Exhibit D hereto.

(q) As of the Closing Date, the Underwriter shall have received a certificate, dated the Closing Date, and signed by an Authorized Officer of the Issuer, to the effect that:

(i) Except as described in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the Issuer, threatened against or affecting the Issuer (or, to the knowledge

of the Issuer, any meritorious basis therefor), wherein an unfavorable decision, ruling or finding would: (a) affect the creation, existence or powers of the Issuer, or the title to office of the officers thereof, (b) limit, enjoin or restrain the issuance, sale and delivery of the Bonds, or the payment, collection or application of the revenues and limit, enjoin or restrain other moneys and securities pledged or to be pledged under the Indenture or the pledge thereof, (c) any of the rights, powers, duties or obligations of the Issuer with respect to the moneys and assets pledged or to be pledged to pay the principal of or redemption price, if any, or interest on the Bonds, (d) question or affect the authority for or validity of the Bonds, the Indenture and the Issuer Documents, or (e) question or affect its obligations as contemplated by any other agreement or instrument to which the Issuer is a party;

(ii) The Issuer has complied or will comply with all agreements, covenants and arrangements and has satisfied all conditions on its part to be complied with, performed or satisfied in connection with the issuance and delivery of the Bonds at or prior to the Closing Date; and

(iii) The representations and warranties of the Issuer contained in the Issuer Documents are true, complete and correct in all material respects as of the Closing Date.

(r) As of the Closing Date, the Underwriter, Freddie Mac and the Trustee shall have received opinions of counsel to the Issuer which, taken together, are substantially in the form set forth in Exhibit E hereto.

(s) As of the Closing Date, the Underwriter shall have received such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request.

If any conditions to the obligations of the Underwriter or the Issuer contained in this Bond Purchase Agreement are not satisfied and the satisfaction of such conditions shall not be waived by the Underwriter and the Issuer, then, at the option of the Underwriter and the Issuer, (i) the Closing Date shall be postponed for such period, not to exceed seven days, as may be necessary for such conditions to be satisfied or (ii) without limiting the generality of Section 12 of this Bond Purchase Agreement, the obligations of the Underwriter and the Issuer under this Bond Purchase Agreement shall terminate, and neither the Underwriter nor the Issuer shall have any further obligations or liabilities hereunder.

All of the legal opinions, certificates, proceedings, instruments and other documents mentioned above or elsewhere in this Bond Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance reasonably satisfactory to the Underwriter, the Borrower and the Issuer.

Section 7. Termination. The Underwriter may terminate their obligations hereunder by written notice to the Issuer if, at any time subsequent to the date hereof and on or prior to the Closing Date:

(a) (i) Legislation shall have been enacted by the Congress, or recommended to the Congress for passage by the President of the United States or the Department of the Treasury of the United States or the Internal Revenue Service or any member of the United States Congress, or favorably reported for passage to either House of the Congress by any Committee of such House to which such legislation has been referred for consideration, or (ii) a decision shall have been rendered by a court established under Article III of the Constitution of the United States, or the United States Tax Court, or (iii) an order, ruling, regulation or communication (including a press release) shall have been issued by the Department of the

Treasury of the United States or the Internal Revenue Service, in each case referred to in clauses (i), (ii) and (iii), with the purpose or effect, directly or indirectly, of imposing federal income taxation upon interest to be received on obligations of the general character of the Bonds.

(b) Legislation shall have been enacted or a decision by a court of the United States shall be rendered or any action taken by the Securities and Exchange Issuer which, in the opinion of counsel to the Underwriter, has the effect of requiring the offer or sale of the Bonds to be registered under the Securities Act of 1933, as amended, or the Indenture to be qualified under the Trust Indenture Act of 1939, as amended, or any event shall have occurred that, in the judgment of the Underwriter, makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or that, in the judgment of the Underwriter, should be reflected therein in order to make the statements contained therein not misleading in any material respect and the Official Statement shall not have been supplemented or amended to reflect such event.

(c) (i) In the judgment of the Underwriter, the market price of the Bonds is adversely affected because: (A) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; (B) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose, as to the Bonds or similar obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, Underwriter; (C) a general banking moratorium shall have been established by federal, New York or State authorities; or (D) a war involving the United States of America shall have been declared, or any other national or international calamity shall have occurred, or any conflict involving the armed forces of the United States of America shall have escalated to such a magnitude as to materially affect the ability of the Underwriter to market the Bonds; (ii) any litigation shall be instituted, pending or threatened to restrain or enjoin the issuance or sale of the Bonds or in any way contesting or affecting any authority or security for or the validity of the Bonds, or the existence or powers of the Issuer; or (iii) legislation shall have been introduced in or enacted by the Legislature of the State with the purpose or effect, directly or indirectly, of imposing State income taxation upon interest to be received by any owners of the Bonds or that would, in the reasonable judgment of the Underwriter, adversely affect an investment in or the security pledged for the Bonds.

(d) There shall have occurred any change that, in the reasonable judgment of the Underwriter, makes unreasonable or unreliable any of the assumptions upon which (i) yield on the Bonds for purposes of compliance with the Code, (ii) payment of debt service on the Bonds, or (iii) the basis for the exclusion from gross income for federal income tax purposes of interest on the Bonds, is predicated.

(e) Any event or circumstance shall exist that either makes untrue or incorrect in any material respect any statement or information in the Official Statement or is not reflected in the Official Statement but should be reflected therein, in the light of the circumstances under which they were made, not misleading;

(f) A material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred; or

(g) An occurrence, in the judgment of Underwriter, of a material adverse change in the capital markets which makes the syndication, sale or financing contemplated hereby impractical or which makes it inadvisable to proceed with the syndication, sale or financing contemplated hereby on the terms, manner and basis contemplated hereby.

Section 8. Indemnification by the Borrower; Contribution.

(a) The Borrower agrees to pay, defend, protect, indemnify, save and hold harmless the Issuer, the Underwriter and each affiliate, member, officer, director, official, employee and agent of the Issuer, the Trustee and the Underwriter and each person, if any, who controls any of the foregoing within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (collectively referred to herein as the “Indemnified Parties”), for, from and against any and all liabilities, losses, damages, costs, expenses (including reasonable attorneys’ fees), causes of action (whether in contract, tort or otherwise), suits, claims, demands and judgments of any kind, character and nature (collectively referred to herein as the “Liabilities”) caused by or directly or indirectly arising from or in any way relating to (i) the Bonds, the Project, the loan of the proceeds of the Bonds, the Financing Agreement, the Indenture, this Bond Purchase Agreement or any document related to the Bonds, the Project, the loan of the proceeds of the Bonds (the “Transaction Documents”) or any transaction or agreement, written or oral, pertaining to the foregoing or (ii) any untrue or misleading statement or alleged untrue or alleged misleading statement of a material fact relating to the Borrower, the Manager (as such term is defined in the Official Statement) or the Project contained in the Official Statement or caused by any omission or alleged omission from the Official Statement of any material fact relating to the Borrower, the Manager or the Project necessary to be stated therein in order to make the statements made therein, in light of the circumstances under which they were made, not misleading; provided, however, that no party shall be entitled to indemnification hereunder for any liabilities arising as a result of such party’s gross negligence or willful misconduct.

(b) The Borrower also agrees to pay, defend, protect, indemnify, save and hold harmless the Underwriter and each affiliate, member, officer, director, official, employee and agent of the Underwriter for, from and against the Liabilities directly or indirectly arising from or relating to (i) any errors or omissions of any nature whatsoever contained in any legal proceedings or other official representation or inducement made by the Issuer pertaining to the Bonds and (ii) any fraud or misrepresentations or omissions contained in the proceedings of the Issuer pertaining to the financial condition of the Borrower; provided, however, that no party shall be entitled to indemnification hereunder for any liabilities arising as a result of such party’s gross negligence or willful misconduct.

(c) Any Indemnified Party shall notify the Borrower of the existence of any Liability to which this indemnification obligation would apply and shall give to the Borrower an opportunity to defend the same at the Borrower’s expense and with counsel satisfactory to the Indemnified Party, provided that the Indemnified Party shall at all times also have the right to fully participate in the defense. If there may be legal defenses available to the Indemnified Party that are different from or in addition to those available to the Borrower or if the Borrower shall, after this notice and within a period of time necessary to preserve any and all defenses to any claim asserted, fail to assume the defense or to employ counsel for that purpose satisfactory to the Indemnified Party, the Indemnified Party shall have the right, but not the obligation, to undertake the defense of, and to compromise or settle the claim or other matter on behalf of, for the account of, and at the risk of, the Borrower.

(d) In order to provide for just and equitable contribution in circumstances in which the indemnity provided for in paragraph (a) or (b) of this Section is for any reason held to be unavailable, the Borrower and the Indemnified Party shall contribute proportionately to the aggregate Liabilities to which the Borrower and the Indemnified Party may be subject, so that the Indemnified Party is responsible for that portion represented by the percentage that the fees paid by the Borrower to the Indemnified Party in connection with the issuance and administration of the Bonds bear to the aggregate offering price of the Bonds, with the Borrower responsible for the balance; provided, however, that in no case shall the Indemnified Party be responsible for any amount in excess of the fees paid by the Borrower to the Indemnified Party in connection with the issuance and administration of the Bonds.

(e) The Indemnified Parties, other than the Issuer and the Underwriter, shall be considered to be third party beneficiaries of this Bond Purchase Agreement for purposes of this Section. The provisions of this Section will be in addition to all liability that the Borrower may otherwise have and shall survive any termination of this Bond Purchase Agreement, the offering and sale of the Bonds and the payment or provisions for payment of the Bonds.

(f) The indemnification hereunder shall be in addition to, and shall not limit, any indemnity granted by the Borrower pursuant to the Financing Agreement or any other document.

Section 9. Expenses. The Underwriter shall be under no obligation to pay, and the Borrower hereby agrees to pay, any expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to, (a) the costs of printing and preparation for printing or other reproduction for distribution and use in connection with the public offering of the Bonds such number of copies as may be requested by the Underwriter of the Indenture, the Resolution and the blue sky survey, as well as any delivery costs incurred in connection with the distribution of the foregoing documents; (b) the cost of preparing the definitive Bonds; (c) the fees and disbursements of Bond Counsel in connection with the authorization and issuance of the Bonds; the fees and expenses of Freddie Mac and of Freddie Mac's counsel; the fees and expenses of Issuer's counsel; the fees and expenses of the Trustee and its counsel; any application or administrative fee of the Issuer; and the fees and disbursements of any other experts or consultants retained by the Issuer; (d) the fees of rating agencies in connection with the rating of the Bonds; (e) the fees and expenses of counsel to the Underwriter; (f) the fees and expenses of the Servicer and its counsel and (g) all other expenses in connection with the public offer and sale of the Bonds. The Issuer shall have no obligation to pay any fees, expenses or costs associated with or resulting from the issuance and delivery of the Bonds.

Section 10. Notices. Any notice or other communication to be given to the Issuer or the Borrower under this Bond Purchase Agreement may be given by delivering the same in writing to the Issuer or the Borrower at their respective addresses set forth on the first page hereof (with a copy of any such notice to the Borrower delivered to Western Community Housing, Inc, 151 Kalmus Drive, Suite J-5, Costa Mesa, CA 92626, Attention: Graham Espley-Jones), and any notice or other communication to be given to the Underwriter under this Bond Purchase Agreement may be given by delivering the same in writing to Stone & Youngberg LLC, 515 South Figueroa Street, Suite 1800, Los Angeles, CA 90071, Attention: Sara Oberlies.

Section 11. Successors. Other than as provided in Sections 8 and 12 hereof, this Bond Purchase Agreement is made solely for the benefit of the Issuer, the Underwriter and the Borrower (including their assigns) and no other person, including any Bondholder, shall acquire or have any right hereunder or by virtue hereof.

Section 12. Third Party Beneficiaries. The Issuer, the Underwriter and the Borrower hereby acknowledge that the Indemnified Parties identified in Section 8 hereof are third party beneficiaries of this Bond Purchase Agreement and shall be entitled to enforce their rights hereunder as if they were parties to this Bond Purchase Agreement.

Section 13. Survival of Certain Representations and Warranties. All agreements, covenants, representations and warranties and all other statements of the Issuer and its officials and officers and the Borrower set forth in or made pursuant to this Bond Purchase Agreement shall remain in full force and effect, regardless of any investigation, or statement as to the results thereof made by or on behalf of the Underwriter or the Issuer, and shall survive the Closing Date and the delivery of and payment for the Bonds.

Section 14. Governing Law. This Bond Purchase Agreement shall be governed by the internal laws of the State of California without resort to conflicts of laws principles.

Section 15. Counterparts. This Bond Purchase Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of Page Left Blank Intentionally]

[Underwriter's Signature Page to Bond Purchase Agreement]

STONE & YOUNGBERG LLC

By _____
Its _____

[Issuer's Signature Page to Bond Purchase Agreement]

CITY OF OCEANSIDE

By _____
Its _____

[Borrower's Signature Page to Bond Purchase Agreement]

SHADOW WAY APARTMENTS, LP, a California
limited partnership

By Western Community Housing, Inc., a California
nonprofit public benefit corporation
Its Managing General Partner

By _____
Name _____
Title _____

By Shadow Way Holdings, LLC, a Utah limited liability
company
Its Administrative General Partner

By _____
Name _____
Title _____

EXHIBIT A

[Letterhead of Bond Counsel]

[CLOSING DATE]

[UNDERWRITER]

[BOND CAPTION]

[After appropriate introductory language, the opinion shall state substantially as follows:]

We are of the opinion, as of the date hereof, as follows:

1. The Bond Purchase Agreement has been duly executed and delivered by, and constitutes the valid and binding agreement of the Issuer.

2. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended. No opinion is expressed with respect to the Credit Enhancement Agreement.

3. The statements made in the Official Statement under the headings "THE BONDS" (other than under the subheading "Book—Entry Only System"), "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," (other than under the subheading "The Credit Enhancement Agreement") "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE," "SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT," "SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT," "TAX MATTERS" and in Appendices A and B, to the extent that such statements describe the Bonds or are summaries of certain provisions of the Bonds, the Financing Agreement, the Indenture, the Regulatory Agreement and our firm's opinion with respect to certain federal tax implications of certain aspects of the Bonds, present a fair and accurate summary of such provisions and implications in all material respects.

Very truly yours,

EXHIBIT B

[Letterhead of Counsel to the Borrower]

[CLOSING DATE]

[UNDERWRITER]

[FREDDIE MAC]

[ISSUER]

[TRUSTEE]

[BOND CAPTION]

[After appropriate introductory language, the opinion shall state substantially as follows:]

1. The Borrower is qualified to do business and in good standing wherever such qualification and/or standing are required, including the State.

2. The Borrower has full legal right, power and authority (a) to own its properties and conduct its business as described in the Official Statement and (b) to enter into and to carry out and consummate the transactions contemplated by the Borrower Documents.

3. By all necessary action, the Borrower has duly authorized and adopted the Borrower Documents, and approved the execution and delivery of, and the performance by the Borrower of the obligations in connection with the issuance of the Bonds on its part contained in the Bonds and the Borrower Documents and the consummation by it of all other transactions contemplated by the Indenture and the Borrower Documents in connection with the issuance of the Bonds.

4. The Borrower Documents have been duly executed and delivered by the Borrower and, assuming the due authorization, execution and delivery of such agreements by the respective other parties thereto where necessary, if any, constitute legal, valid and binding obligations of the Borrower enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability affecting the enforcement of creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in equity or in law.

5. The execution and delivery of the Borrower Documents, the performance by Borrower of its obligations thereunder and the consummation of the transactions contemplated therein are within the limited partnership powers of Borrower and will not (i) conflict with or constitute a breach of the Borrower's partnership agreement; (ii) to our knowledge, constitute a default under any indenture, mortgage, deed of trust or other material lien, lease, contract, note, order, judgment, decree or other material agreement, instrument or restriction of any kind to which Borrower is a party or by which any of its properties are bound or affected; or (iii) to our knowledge, result in a violation of any constitutional or statutory provision or any material order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the Borrower or its property.

6. To the best of our knowledge after due and diligent inquiry, as of the Closing Date, the Borrower is not in any material respect in violation of, breach of or default under any applicable constitutional provision or law of any state or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note, agreement (including, without limitation, the Borrower Documents) or other agreement or instrument to which the Borrower is a

party or by which the Borrower or any of its property or assets is bound, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instruments; and the execution and delivery of the Bonds and the Borrower Documents, and compliance with the provisions on the Borrower's part contained therein, do not and will not conflict with, or constitute on the part of the Borrower a violation of, breach of or default under, any applicable constitutional provision or law of any state or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note, agreement or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound, nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower or under the terms of any such law, regulation or instrument, except as provided by the Bonds or the Borrower Documents.

7. As of the Closing Date, all consents, approvals, authorizations, and orders of or filings or registrations with any governmental authority, board, agency or Issuer of any state or of the United States having jurisdiction required in connection with, or the absence of which would materially adversely affect, the execution and delivery by the Borrower of the Borrower Documents or the performance by the Borrower of its obligations thereunder have been obtained or made and are in full force and effect.

8. The Deed has been duly recorded in the Office of the Superior Court of _____ County. Pursuant to the _____, the Issuer enjoys the legal benefit of a legal, valid and enforceable lien on the real property described in the Deed. The Financing Statements have been duly filed for record in the _____ and pursuant to such Financing Statements, the Issuer enjoys a perfected, valid, binding and enforceable security interest in the personal property described in such Financing Statements to the extent a security interest in such personal property can be perfected by filing Financing Statements in _____ under the Uniform Commercial Code adopted in the State of _____ (the "UCC"). The effectiveness of the Financing Statements will lapse upon the expiration of five years from the date of filing unless appropriate continuation statements are filed within 6 months prior to such lapse.

9. To the best of our knowledge after due and diligent inquiry, as of the Closing Date, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any judicial or administrative court or governmental agency or body, state, federal or other, pending or, to the best of our knowledge, threatened against the Borrower, affecting the existence of the Borrower or the titles of its officers to their respective offices, or contesting or affecting as to the Borrower the validity or enforceability of the Act, the Bonds, any Borrower Document or the execution and delivery or adoption by the Borrower of any Borrower Document, or in any way contesting or challenging the completeness or accuracy of the Official Statement or the powers of the Borrower or its authority with respect to the Borrower Documents or the consummation of the transactions contemplated thereby; nor, to the best of our knowledge, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the financial condition or operations of the Borrower or the validity of the authorization, execution, delivery or performance by the Borrower of any Borrower Document.

10. Based solely on the results of a search of the records of the _____, as of the time of filing of the Financing Statements, there were no valid UCC financing statements on file which perfected a lien on any of the collateral covered by the Financing Statements, which would remain unsatisfied of record.

11. Nothing has come to our attention that would lead us to believe that the statements and information with respect to the Borrower contained in the Official Statement under the captions "THE BORROWER AND THE PROJECT," "ESTIMATED SOURCES AND USES OF FUNDS" and "NO LITIGATION—The Borrower" contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Very truly yours,

EXHIBIT C

[Letterhead of General Counsel to Freddie Mac]

[CLOSING DATE]

[TRUSTEE]

[ISSUER]

[RATING AGENCY]

[UNDERWRITER]

[BOND CAPTION]

[After appropriate introductory language, the opinion shall state substantially as follows:]

Based on the foregoing, I advise you that in my opinion:

(a) Freddie Mac is a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States and created pursuant to an Act of Congress on July 24, 1970 (Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§1451-1459) (the "Freddie Mac Act"), with full power and authority to execute, deliver and perform the Credit Enhancement Agreement.

(b) The Credit Enhancement Agreement has been duly and validly authorized, executed and delivered by Freddie Mac and constitutes the legal, valid and binding obligation of Freddie Mac, and is enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation, readjustment of debt or other similar laws affecting the enforcement of creditors' rights generally (as such laws would be applied to Freddie Mac, including but not limited to 12 U.S.C. §§4616-4618 and 4622-4623), and subject to the qualification that the remedies of specific performance, injunction and other forms of equitable relief may not be available because they are subject to certain tests of equity jurisdiction, equitable defenses and the discretion of the court before which any proceeding therefor may be brought.

I assume no obligation to advise you of any changes in the foregoing subsequent to the date hereof. This opinion has been prepared solely for your benefit as the addressees. Without my prior written consent, this opinion may not be quoted in whole or in part or otherwise be referred to, or filed with or (except in connection with any Federal agency examination, audit by independent public accountants or review by agencies furnishing ratings on the Bonds) furnished to any governmental agency or other person or entity.

Please note that I am admitted to practice only in the Commonwealth of Virginia and express no opinion concerning the laws of any jurisdictions other than the laws of Virginia and the federal laws of the United States.

Very truly yours,

EXHIBIT D

[Letterhead of Counsel to the Underwriter]

[CLOSING DATE]

Stone & Youngberg LLC
Los Angeles, CA

[BOND CAPTION]

We have acted as Counsel to Stone & Youngberg LLC (the "Underwriter") in connection with the issuance of the above captioned bonds (the "Bonds"), issued pursuant to a Trust Indenture, dated as of February 1, 2009 (the "Indenture"), by and between the City of Oceanside (the "Issuer") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). As such counsel, we have reviewed such records, certificates, opinions and documents as we have deemed necessary or appropriate for the purpose of this opinion. Upon the basis of such examination, we are of the opinion that, under the existing laws, the Bonds may be offered and sold without registration under the Securities Act of 1933, as amended, and the Indenture is not required to be qualified under the Trust Indenture Act of 1939, as amended.

In connection with the preparation of the Official Statement (the "Offering Document") used in connection with the initial issuance and sale of the Bonds on the date hereof, we have reviewed generally information furnished to us by, and have participated in conferences with, representatives of the Issuer; Best Best & Krieger LLP, Riverside, California, Bond Counsel; the Federal Home Loan Mortgage Corporation ("Freddie Mac"), its legal department, and Kutak Rock LLP, Omaha, Nebraska, its special counsel; Shadow Way Apartments, LP, a California limited partnership (the "Borrower"); Chernove & Associates, Inc., Encino, California, Borrower's Counsel; the Trustee; and the Underwriter. We also have reviewed the documents relating to the Bonds described in the Offering Document and other documents and records relating to the issuance and sale of the Bonds. In addition, we have relied upon certificates of officials of the Issuer, Freddie Mac and the Borrower and opinions from Bond Counsel and Freddie Mac's special counsel. However, we have not independently verified any factual matters in connection with or apart from the aforementioned review and conferences and, accordingly, we do not express any view or belief as to matters that might have been disclosed by independent verification.

Although we have made no independent investigation or verification of the accuracy, correctness, fairness or completeness of, and do not assume any responsibility for, the information included in the Offering Document (subject to the qualifications set forth herein), no information came to the attention of the attorneys in our firm rendering legal services in connection with the issuance of the Bonds which causes us to believe that the Offering Document (except for the financial statement, financial, statistical and numerical information, forecasts, estimates, assumptions and expressions of opinion, as to which we express no view), as of its date contained, or as of the date of this opinion contains, any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

This letter is issued to and for the sole benefit of the above addressee[s] and is issued for the sole purpose of the transaction specifically referred to herein. No person other than the above addressee[s] may rely upon this letter without our express prior written consent. This letter may not be utilized by you for any other purpose whatsoever and may not be quoted by you without our express prior written consent. We assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in the current laws, by legislative or regulatory action, by judicial decision or for any other reason.

Respectfully submitted,

EXHIBIT E

[Letterhead of Counsel to the Issuer]

[CLOSING DATE]

[UNDERWRITER]

[FREDDIE MAC]

[TRUSTEE]

[BOND CAPTION]

[After appropriate introductory language, the opinion shall state substantially as follows:]

1. The Issuer is a municipal corporation and duly organized and validly existing under the laws of the State of California.
2. The Resolution was duly adopted at a meeting of the County Board of Supervisors.
3. The execution and delivery of the Issuer Documents have been duly authorized by the Issuer.
4. When the Issuer Documents are duly authorized, executed and delivered by the Issuer, the Issuer Documents and the Bonds will represent legal and binding agreements of the Issuer enforceable in accordance with their terms except as enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by the availability of equitable remedies.
5. To the best of my knowledge, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body is pending or threatened in any way affecting the existence of the Issuer, or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds or the application of the proceeds thereof in accordance with the Indenture, or the collection or application of the Pledged Revenues (as such term is defined in the Loan Agreement) to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Issuer Documents or any action of the Issuer contemplated by any of said documents, or in any way contesting the completeness or accuracy of the Official Statement, relating to the Bonds, or the powers of the Issuer with respect to the Issuer Documents or any action on the part of the Issuer contemplated by any of said documents, nor to my knowledge is there any basis therefor.
6. To the best of my knowledge, the Issuer is not in breach of or in default under any applicable law or administrative rule or regulation of the State of California or the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Issuer is a party or is otherwise subject or bound, a consequence of which could be to materially and adversely affect the performance by the Issuer under the Issuer Documents.

Respectfully submitted,

[In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes except any period while a Bond is held by a "substantial user" of the facilities financed by the Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.]

\$15,000,000
City of Oceanside
Variable Rate Demand Multifamily Housing Revenue Bonds
(Shadow Way Apartments Project)
Series 2009†

Dated: Delivery Date

Price: 100%

CUSIP: _____

Due: [February 1, 2049]

The above-captioned bonds (the "Bonds") are being issued pursuant to a Trust Indenture, dated as of February 1, 2009 (the "Indenture"), by and between the City of Oceanside (the "Issuer") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The proceeds of the Bonds are being used by the Issuer to fund a mortgage loan (the "Bond Mortgage Loan") to Shadow Way Apartments, LP, a California limited partnership (the "Borrower"), pursuant to a Financing Agreement, dated as of the date of the Indenture (the "Financing Agreement"), among the Issuer, the Borrower and the Trustee, for the purpose of financing a portion of the costs of the acquisition, rehabilitation and equipping of a multifamily rental housing development located in Oceanside, California, and known as the Shadow Way Apartments (the "Project").

The Bonds will bear interest at a Variable Rate until adjusted to a Reset Rate or converted to a Fixed Rate, all as described herein. The Bonds are issued as fully registered bonds without coupons, in the minimum denomination of \$100,000 and any integral multiple of \$5,000 in excess thereof during the Variable Period. The Bonds are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). See "THE BONDS—Book-Entry Only System." The principal of, premium, if any, and interest on the Bonds are payable by the Trustee, by wire transfer directly to DTC, which will in turn remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds. Interest on the Bonds will be payable on the first Business Day of each month (each an "Interest Payment Date"), commencing March 2, 2009.

Payments of principal of and interest on the Bond Mortgage Loan and payments of the Purchase Price of the Bonds will be secured by a direct pay Credit Enhancement Agreement, dated as of the date of the Indenture (the "Credit Enhancement Agreement") between the Trustee and Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States ("Freddie Mac").

Freddie Mac

The Credit Enhancement Agreement will terminate on February _____, 2027 or upon the earlier redemption (or purchase in lieu thereof) of the Bonds or upon substitution of an Alternate Credit Facility under the Indenture as more fully described herein. See "APPENDIX C—FORM OF CREDIT ENHANCEMENT AGREEMENT" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The Bonds will be subject to mandatory purchase by the Trustee on any date on which an Alternate Credit Facility is to be exchanged for the Credit Facility then in effect if the conditions of such substitution are satisfied, including the receipt by the Trustee of remarketing proceeds in an amount equal to 100% of the Purchase Price of the Bonds.

The Bonds will be subject to redemption prior to the stated maturity date at the prices, on the terms and upon the occurrence of the events described herein. The maturity of the Bonds may be accelerated upon the occurrence of certain events as further described herein. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default; Acceleration; Remedies" herein. Persons who purchase Bonds at a price in excess of their principal amount risk the loss of any premium paid in the event the Bonds are redeemed prior to maturity. See "THE BONDS" and "CERTAIN BONDHOLDERS' RISKS" herein.

THE BONDS, TOGETHER WITH INTEREST THEREON, SHALL BE SPECIAL OBLIGATIONS OF THE ISSUER GIVING RISE TO NO PECUNIARY LIABILITY OF THE ISSUER OR ANY CHARGE AGAINST ITS GENERAL CREDIT, SHALL BE PAYABLE SOLELY FROM THE REVENUES PLEDGED THEREFOR UNDER THE INDENTURE (THE "REVENUES"), AND SHALL BE A VALID CLAIM OF THE RESPECTIVE HOLDERS THEREOF ONLY AGAINST THE REVENUES. THE BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS, LIABILITY, GENERAL, SPECIAL OR MORAL OBLIGATION OR A PLEDGE OR LOAN OF THE FAITH OR CREDIT OR TAXING POWER, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS, OF THE ISSUER, THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON, AND IN NO EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THE REVENUES.

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

This Official Statement describes the Bonds only during the initial Variable Period, which is the period beginning on the Delivery Date of the Bonds and ending on the date on which interest on the Bonds is converted to a Reset Rate or to a Fixed Rate. A new official statement is required to be used to offer or remarket the Bonds if interest on the Bonds is converted to a Reset Rate or a Fixed Rate.

The Bonds are offered when, as and if issued and received by Stone & Youngberg LLC (the "Underwriter"), subject to the approval of certain legal matters by Best Best & Krieger LLP, Riverside, California, Bond Counsel. Certain legal matters will be passed upon for the Borrower by its counsel, Chernove & Associates, Inc., Encino, California, for Freddie Mac by its Legal Department and by its special counsel, Kutak Rock LLP, and for the Underwriter by Eichner & Norris PLLC, Washington, D.C. It is expected that the Bonds will be available for delivery through DTC in New York, New York on or about February 19, 2009.

STONE & YOUNGBERG

Dated: February _____, 2009

† Interest on the Bonds is not included in corporations' calculation of adjusted current earnings under the alternative minimum tax provisions of the Code. See "TAX MATTERS" herein and the form of the Bond Counsel opinion attached as Appendix B hereto.

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

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

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

The 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 a part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

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

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OFFICIAL STATEMENT

\$15,000,000
City of Oceanside
Variable Rate Demand Multifamily Housing Revenue Bonds
(Shadow Way Apartments Project)
Series 2009

INTRODUCTION

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

General

The purpose of this Official Statement is to provide information in connection with the public offering of the above-captioned bonds (the "Bonds"). The Bonds are being issued pursuant to a Trust Indenture, dated as of February 1, 2009 (the "Indenture"), by and between the City of Oceanside (the "Issuer") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The proceeds of the Bonds are being used by the Issuer to fund a mortgage loan (the "Bond Mortgage Loan") to Shadow Way Apartments, LP, a California limited partnership (the "Borrower"), pursuant to a Financing Agreement, dated as of the date of the Indenture (the "Financing Agreement"), among the Issuer, the Borrower and the Trustee, for the purpose of financing a portion of the costs of the acquisition, rehabilitation and equipping of a multifamily rental housing development located in Oceanside, California, and known as the Shadow Way Apartments (the "Project"). See "THE BORROWER AND THE PROJECT" herein.

The Bond Mortgage Loan will be evidenced by a non-recourse Bond Mortgage Note, dated as of the date of the Indenture (together with all riders and addenda thereto (the "Bond Mortgage Note"), executed by the Borrower in favor of the Issuer and secured by a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of the date of the Indenture (the "Bond Mortgage"), executed by the Borrower and delivered to the Issuer with respect to the Project. The Bond Mortgage Note will be endorsed by the Issuer to the Trustee and the Bond Mortgage will be assigned by the Issuer to the Trustee. Payments on the Bond Mortgage Loan will be made by the Borrower to Prudential Affordable Mortgage Company (the "Servicer") for the benefit of the Trustee. The principal amount and payment provisions of the Bond Mortgage Note have been established and structured so that (a) the aggregate principal amount of the Bond Mortgage Note will not be less than the aggregate principal amount of Outstanding Bonds; (b) the interest payable on the Bond Mortgage Note will not be less than the interest payable on the Outstanding Bonds; and (c) the required payments under the Bond Mortgage Note will be timely and sufficient in amount to make the payments due to the Bondholders on the Outstanding Bonds.

The Issuer assigned the Financing Agreement (except for the Issuer's Unassigned Rights) to the Trustee for the benefit of the registered owners of the Bonds. In addition to the other security provided

under the Indenture, the required payments under the Bond Mortgage Note will be secured by Guaranteed Payments under a direct pay Credit Enhancement Agreement, dated as of the date of the Indenture (the “Credit Enhancement Agreement” or “Credit Facility”), between the Federal Home Loan Mortgage Corporation (“Freddie Mac” or “Credit Facility Provider”) and the Trustee. A form of the Credit Enhancement Agreement is attached hereto as Appendix C. The obligation of the Borrower to reimburse Freddie Mac for funds provided by Freddie Mac pursuant to the Credit Enhancement Agreement is established by the terms and conditions of a Reimbursement and Security Agreement, dated as of the date of the Indenture (the “Reimbursement Agreement”), by and between the Borrower and Freddie Mac. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—The Credit Enhancement Agreement” and “SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT” herein and Appendix C hereto.

Under the Credit Enhancement Agreement, subject to certain requirements set forth therein, on any Interest Payment Date, or any date Bonds are called for optional or mandatory redemption, and on the maturity date of the Bond Mortgage Note, Freddie Mac is required to pay the sum of the Interest Component and the Principal Component of a Guaranteed Payment (as defined herein) and, in the event of a failed remarketing, the Purchase Price on such Bonds. See “THE BONDS” herein and Appendix C hereto.

So long as Freddie Mac is not in default in its payment obligations under the Credit Enhancement Agreement, Freddie Mac shall control and shall have the right to exercise the Bond Mortgage Rights (defined herein) and Freddie Mac may direct the Trustee to assign the Trustee’s interests in the Bond Mortgage Loan, including the Bond Mortgage Note, the Bond Mortgage and the other Bond Mortgage Loan Documents to Freddie Mac at any time.

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

No assurance can be given that the principal amount of the Bond Mortgage Loan, as finally determined after completion of the rehabilitation of the Project, will not be less than the original principal amount of the Bond Mortgage Loan. If the Borrower fails to “earn out” the full amount of the Bond Mortgage Loan by _____ (the “Earn Out Expiration Date”), the principal amount of the Bond Mortgage Loan must be reduced by the Borrower’s prepayment of the Bond Mortgage Loan in part. Upon such prepayment, a corresponding portion of the principal amount of the Bonds will be subject to optional redemption. Any such redemption will be at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the redemption date. No such redemption will be made at a premium. See “THE BONDS—Optional Redemption” herein.

Additional financing for the Project will include a subordinate loan (the “Subordinate Loan”). The obligation of the Borrower to repay the Subordinate Loan is subordinate to the obligation to repay the Bond Mortgage Loan. Nevertheless, a default with respect to the Subordinate Loan constitutes a default under the Reimbursement Agreement, giving Freddie Mac the option to direct the Trustee to redeem the Bonds at a price equal to the principal amount thereof plus accrued interest to the redemption date, without premium. See “THE BONDS—Mandatory Redemption” and “CERTAIN BONDHOLDERS’ RISKS— Subordinate Loan” herein.

THE BONDS, TOGETHER WITH INTEREST THEREON, SHALL BE SPECIAL OBLIGATIONS OF THE ISSUER GIVING RISE TO NO PECUNIARY LIABILITY OF THE ISSUER OR ANY CHARGE AGAINST ITS GENERAL CREDIT, SHALL BE PAYABLE SOLELY FROM THE REVENUES PLEDGED THEREFOR UNDER THE INDENTURE (THE "REVENUES"), AND SHALL BE A VALID CLAIM OF THE RESPECTIVE HOLDERS THEREOF ONLY AGAINST THE REVENUES. THE BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS, LIABILITY, GENERAL, SPECIAL OR MORAL OBLIGATION OR A PLEDGE OR LOAN OF THE FAITH OR CREDIT OR TAXING POWER, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS, OF THE ISSUER, THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON, AND IN NO EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THE REVENUES.

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

The Borrower is required to operate the Project in compliance with a Regulatory Agreement and Declaration of Restrictive Covenants, dated as of the date of the Indenture (the "Regulatory Agreement"), among the Issuer, the Trustee and the Borrower. The Regulatory Agreement contains certain representations, warranties and covenants concerning the operation of the Project. Under the Regulatory Agreement, the Borrower is required, among other things, to cause 90% of the completed residential units in the Project to be occupied by individuals whose income does not exceed 60% of the median gross income for the area in which the Project is located and to cause 10% of the completed residential units in the Project to be occupied by individuals whose income does not exceed 50% of the median gross income for the area in which the Project is located, as further described in the Regulatory Agreement. A failure to comply with certain of these requirements could result in the loss of the federal tax exemption on the Bonds retroactive to the Delivery Date. See "TAX MATTERS" and "SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT" herein. [Further, in connection with the award of low-income housing tax credits to the Project, the Borrower anticipates that it will be required to set aside 100% of the units in the Project for lower income tenants and to restrict the rents charged to such tenants. See "THE BORROWER AND THE PROJECT" herein.]

Stone & Youngberg LLC (the "Remarketing Agent") will serve as Remarketing Agent for the Bonds under the terms of a Remarketing Agreement, dated as of the date of the Indenture (the "Remarketing Agreement"), between the Borrower and the Remarketing Agent. The Bank of New York Mellon Trust Company, N.A., as tender agent (the "Tender Agent"), will perform certain services in connection with the purchase of tendered Bonds.

Brief descriptions of the Issuer, the sources of payment for the Bonds, the Bonds, the Project, the Borrower, the Servicer and Freddie Mac and a general summary of the Indenture, the Financing

Agreement, the Regulatory Agreement, the Intercreditor Agreement and the Reimbursement Agreement are included in this Official Statement. The form of the Credit Enhancement Agreement is attached as Appendix C. All references herein to the Indenture, the Financing Agreement, the Regulatory Agreement, the Credit Enhancement Agreement, the Intercreditor Agreement, the Reimbursement Agreement and all other documents and agreements are qualified in their entirety by reference to such documents and agreements, and all references to the Bonds are qualified by reference to the form thereof included in the Indenture, copies of which are available for inspection at the principal office of the Trustee, The Bank of New York Mellon Trust Company, N.A., 601 Union Street, Suite 520, Seattle, Washington 98101, Attention: Corporate Trust Services, Attention: Corporate Trust Services.

THIS OFFICIAL STATEMENT DESCRIBES THE BONDS ONLY DURING THE INITIAL VARIABLE PERIOD, WHICH IS THE PERIOD BEGINNING ON THE DELIVERY DATE OF THE BONDS AND ENDING ON THE DATE ON WHICH INTEREST ON ANY SERIES OF BONDS IS CONVERTED TO A RESET RATE OR TO A FIXED RATE. A NEW OFFICIAL STATEMENT IS REQUIRED TO BE USED TO OFFER OR REMARKET THE BONDS IF INTEREST ON THE BONDS IS CONVERTED TO A RESET RATE OR A FIXED RATE.

So long as the Bonds bear interest at a Variable Rate as described herein, the Borrower will be under no obligation to provide continuing disclosure or provide notice of certain events relating to Project operations. See “NO CONTINUING DISCLOSURE” herein.

THE ISSUER

General

The Issuer is a municipal corporation organized and existing under the laws of the State of California. Under the Act, the Issuer is empowered to issue revenue bonds for the purpose, among others, of financing multifamily residential rental developments.

This Official Statement, except for the information set forth under this heading and the heading “NO LITIGATION—The Issuer” herein has not been reviewed or approved by the Issuer. The Issuer has not assumed and has no responsibility for the information contained herein and makes no representations as to the accuracy of such information, except for the information set forth under this heading and the heading “NO LITIGATION—The Issuer” herein.

Limited Liability

THE BONDS, TOGETHER WITH INTEREST THEREON, SHALL BE SPECIAL OBLIGATIONS OF THE ISSUER GIVING RISE TO NO PECUNIARY LIABILITY OF THE ISSUER OR ANY CHARGE AGAINST ITS GENERAL CREDIT, SHALL BE PAYABLE SOLELY FROM THE REVENUES PLEDGED THEREFOR UNDER THE INDENTURE (THE “REVENUES”), AND SHALL BE A VALID CLAIM OF THE RESPECTIVE HOLDERS THEREOF ONLY AGAINST THE REVENUES. THE BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS, LIABILITY, GENERAL, SPECIAL OR MORAL OBLIGATION OR A PLEDGE OR LOAN OF THE FAITH OR CREDIT OR TAXING POWER, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS, OF THE ISSUER, THE STATE OF CALIFORNIA (THE “STATE”) OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON, AND IN NO EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THE REVENUES.

THE BONDS

General

The Bonds shall be fully registered as to principal and interest, without coupons. All of the Bonds are equally and ratably secured. Bonds issued on the Delivery Date shall be dated such date; Bonds issued after the Delivery Date shall be dated the date they are authenticated by the Trustee.

Interest on the Bonds during any Variable Period shall be computed on the basis of a 365 or 366 day year, as applicable, for the actual number of days elapsed. Interest on the Bonds during any Reset Period or Fixed Rate Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds shall be payable on each Interest Payment Date, in each case from the Interest Payment Date next preceding the date of authentication thereof to which interest has been paid or duly provided for, unless the date of authentication is an Interest Payment Date to which interest has been paid or duly provided for, in which case from the date of authentication of the Bond, or unless no interest has been paid or duly provided for on the Bonds, in which case from the Delivery Date, until payment of the principal of the Bond has been made or duly provided for. Notwithstanding the foregoing, if a Bond is authenticated after a Record Date and before the following Interest Payment Date, such Bond shall bear interest from such Interest Payment Date; provided, however, that if there shall be a default in the payment of interest due on such Interest Payment Date, then the Bonds shall bear interest from the next preceding Interest Payment Date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for on the Bonds, from the Delivery Date.

The Bonds shall be issued in Authorized Denominations and shall bear interest payable on each Interest Payment Date at the rate per annum determined as provided in the Indenture. See "Variable Rate for the Bonds" below. The Bonds shall mature, subject to redemption prior to maturity as provided in the Indenture, on the Maturity Date.

The Person in whose name any Bond is registered on the Record Date with respect to an Interest Payment Date shall be entitled to receive the interest payable on such Interest Payment Date (unless such Bond has been called for redemption on a redemption date which is prior to such Interest Payment Date) notwithstanding the cancellation of such Bond upon any registration of transfer or exchange thereof subsequent to such Record Date and prior to such Interest Payment Date; provided, however, that if and to the extent the Issuer shall default in the payment of the interest due on any Interest Payment Date, such defaulted interest shall be paid as described in the next paragraph.

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

been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Bonds (or their respective predecessor Bonds) are registered on such Special Record Date.

Payment of principal of the Bonds and premium, if any, shall be made upon presentation and surrender of the Bonds at the Principal Office of the Trustee. Interest on the Bonds shall be paid by check mailed to the registered Owner thereof at such registered Owner's address as it appears on the Bond Register on the Record Date. Upon written request of a registered Owner of at least \$1,000,000 in principal amount of Bonds Outstanding received by the Trustee at least five (5) days prior to a Record Date, all payments of principal, premium, if any, and interest on the Bonds, less any reasonable wire transfer fees imposed by the Trustee, shall be paid by wire transfer in immediately available funds to an account within the continental United States designated by such registered Owner. Payment of the Purchase Price of any Bonds tendered for purchase on a Settlement Date shall be payable in lawful money of the United States of America only upon presentation thereof at the Principal Office of the Tender Agent.

Payments Due on Non-Business Days

In any case where a date of payment with respect to any Bonds shall be a day other than a Business Day, then such payment need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on such date, and no interest shall accrue for the period after such date providing that payment is made on such next succeeding Business Day.

Variable Rate for the Bonds

The Bonds shall bear interest from and including the Delivery Date to and including the immediately succeeding Variable Interest Computation Date at a Variable Rate determined by the Remarketing Agent, and thereafter shall bear interest at a Variable Rate for each Variable Interest Accrual Period as determined by the Remarketing Agent on each Variable Interest Computation Date until adjusted to a Reset Rate or Fixed Rate as described under the heading "Adjustment of Interest Rates on Bonds" below.

The Variable Rates for each Variable Interest Accrual Period determined by the Remarketing Agent on each Variable Interest Computation Date shall be that rate of interest which, if borne by such Bonds, would, in the reasonable professional judgment of the Remarketing Agent, on the basis of prevailing financial market conditions, be the interest rate necessary, but which would not exceed the interest rate necessary, to be borne by such Bonds in order for the market value of such Bonds on such Variable Interest Computation Date to be equal to 100% of the principal amount thereof (disregarding accrued interest) if such Bonds were sold on such Variable Interest Computation Date; provided, however, that in no event shall the Variable Rate at any time exceed the Maximum Rate. If for any reason the Remarketing Agent shall fail to determine the rates of interest or if he rates of interest determined by the Remarketing Agent are held to be invalid or unenforceable for any Variable Interest Accrual Period, then the Variable Rate for such Variable Interest Accrual Period shall be the applicable Index Rate in effect on the applicable Variable Interest Computation Date.

For each Variable Interest Accrual Period, the Variable Rates determined by the Remarketing Agent shall be communicated by electronic mail to the Trustee, the Tender Agent, the Borrower, the Servicer and the Credit Facility Provider as provided in the Indenture on the Variable Interest Computation Date. The determination of the Variable Rates by the Remarketing Agent shall (in the absence of manifest error) be conclusive and binding on the Owners of the Bonds, the Issuer, the Borrower, the Credit Facility Provider, the Servicer, the Remarketing Agent, the Tender Agent and the Trustee, and each shall be protected in relying on it.

Adjustment of Interest Rates on Bonds

During a Variable Period, at the written request of the Borrower with the prior written consent of the Credit Facility Provider or, under certain circumstances, at the written request of the Credit Facility Provider on behalf of the Borrower, the rates of interest on the Bonds may be established at (a) Reset Rates on any Interest Payment Date or (b) Fixed Rates on any Interest Payment Date, each in accordance with the procedures set forth in the Indenture.

The Trustee shall give notice to the Owners of the Bonds of the Reset Adjustment Date or Fixed Rate Adjustment Date, as applicable, by first class mail not less than nine days before the Reset Adjustment Date or Fixed Rate Adjustment Date, as applicable. The notice shall also state that all Bonds must be tendered to the Tender Agent for purchase at the Purchase Price not later than 9:30 a.m., Washington, D.C. time, on the Reset Adjustment Date or Fixed Rate Adjustment Date, as applicable, and that the Reset Adjustment Date or Fixed Rate Adjustment Date, as applicable (but not the mandatory tender of Bonds on the proposed Reset Adjustment Date or Fixed Rate Adjustment Date, as applicable), is subject to cancellation upon receipt by the Trustee of notice from the Remarketing Agent that a Market Risk Event has occurred. In such event, the Bonds shall continue to bear interest at a Variable Rate.

Any Bond not tendered to the Tender Agent for purchase on a Reset Adjustment Date (including a canceled Reset Adjustment Date) or a Fixed Rate Adjustment Date (including a canceled Fixed Rate Adjustment Date) shall be deemed to have been tendered for purchase on such Reset Adjustment Date or Fixed Rate Adjustment Date, as applicable, pursuant to the Indenture; provided, however, payment on such Bonds shall only be made upon presentation thereof.

See “Demand for and Mandatory Purchase of the Bonds” below.

Book-Entry Only System

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

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

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments

from over 100 countries that DTC participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has 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 the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (a “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer to the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC 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 dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or the Issuer, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

Demand for and Mandatory Purchase of the Bonds

Any Bonds (other than Purchased Bonds), or any units of principal amount thereof in Authorized Denominations, shall be purchased from the proceeds of remarketing thereof or from other sources as described below, (a) on demand of the owner of such Bond (or, so long as Bonds are in "book entry only" form, demand of a DTC Participant with respect to such Bonds) on any Business Day during a Variable Period which is an Optional Tender Date (as defined below), or (b) upon being tendered or deemed tendered on any Reset Adjustment Date, Variable Rate Adjustment Date, the Fixed Rate Adjustment Date and any Substitution Date (even if such Reset Adjustment Date, Variable Rate Adjustment Date, Fixed Rate Adjustment Date or Substitution Date for which notice has been given by the Trustee to the Bondholders fails to occur). Bonds shall be purchased for a Purchase Price equal to the principal amount thereof, or of any units thereof purchased in Authorized Denominations, plus interest accrued thereon, if any, to the Settlement Date. Bonds shall be purchased upon (i) in the case of a purchase upon the demand of an owner or DTC Participant, delivery to the Tender Agent, with a copy to the Trustee and the Remarketing Agent, of a written notice in the form attached to the Indenture (a "Tender Notice") which states (A) the principal amount of such Bond for which payment is demanded, (B) that such demand is irrevocable and (C) the date on which such Bond or units of principal amount thereof in Authorized Denominations shall be purchased, which date shall be a Business Day not prior to the seventh day next succeeding the date of the receipt of the Tender Notice by the Tender Agent (an "Optional Tender Date"); and (ii) in all cases, delivery of such Bond (with an appropriate transfer of registration form executed in blank and in form satisfactory to the Tender Agent) to the Tender Agent, at or prior to 9.30 a.m., Washington, D.C. time, on the Settlement Date. In the event that a depository is appointed and a "book entry only" system is in effect with respect to the Bonds, delivery of Bonds for purchase on the Settlement Date shall be effected in the manner set forth by such depository.

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

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

If the Trustee shall have received the items required by the Indenture, the Trustee shall not later than the ninth day before any Reset Adjustment Date, Variable Rate Adjustment Date, Fixed Rate Adjustment Date or Substitution Date, notify the Bondholders by first class mail, that all Outstanding Bonds (other than Purchased Bonds) shall be subject to mandatory tender and if not so tendered, shall be deemed to have been tendered for purchase on each such Reset Adjustment Date, Variable Rate Adjustment Date, Fixed Rate Adjustment Date or the Substitution Date, at the Purchase Price. Such notices from the Trustee shall be treated as a Tender Notice for all purposes of the Indenture.

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

Anything in the Indenture to the contrary notwithstanding, no Bonds shall be purchased or remarketed as described under this heading if an Event of Default under the Indenture (other than an

Event of Default described in paragraph (c) under the heading “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default; Acceleration; Remedies” herein) shall have occurred and be continuing and would not be cured as a result of such tender and remarketing of the Bonds or following a declaration of acceleration of the Bonds; nor shall any Bond be purchased if such Bond is registered in the name of the Issuer, the Borrower or the Credit Facility Provider, or known by the Trustee (the Trustee shall have no duty to inquire as to any such nominees) to be registered in the name of any general partner, member or guarantor of the Borrower or any nominee of the Issuer, the Borrower, the Credit Facility Provider, or any such general partner, member or guarantor of the Borrower unless the Credit Facility will be in full force and effect after such purchase with respect to such Bonds after such purchase.

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

The Remarketing Agent shall deliver to the Tender Agent, no later than 9:30 a.m., Washington, D.C. time, on the Settlement Date, in immediately available funds, the remarketing proceeds to the extent the Bonds have been successfully remarketed. Upon receipt by the Tender Agent of such amount from the Remarketing Agent, the Tender Agent, as co-authenticating agent, shall transfer the registered ownership of the Bonds to the respective new purchasers and deliver such Bonds to such purchasers upon deposit of the Purchase Price with the Tender Agent. The Tender Agent shall remit the Purchase Price of such Bonds to the tendering Bondholder or Bondholders entitled to the same. In the event that the Remarketing Agent or any purchaser which shall have been identified by the Remarketing Agent to the Trustee and the Tender Agent shall fail to pay the Purchase Price for any Bonds prior to 10:00 a.m., Washington, D.C. time, on the Settlement Date, the Tender Agent shall not be obligated to accept such amount after such time. The Tender Agent shall hold all money delivered to it for the purchase of Bonds (including any remarketing proceeds or proceeds of draws on the Credit Facility) in trust in a non-commingled account to be known as the “Bond Purchase Fund” for the benefit of the Person or entity which shall have so delivered such money until the Bonds purchased with such money shall have been delivered to or for the account of such Person. Such money shall be held uninvested except as directed in writing by the Credit Facility Provider and then only in Qualified Investments of the type described in clauses (a) and (b) of the definition thereof.

Purchase of Bonds Not Remarketed

In the event that either the Tender Agent shall not have received notice of successful remarketing of tendered Bonds by the day which is one Business Day prior to the Settlement Date, or the proceeds of remarketing of any tendered Bond have not been received by the Tender Agent on or prior to 10:00 a.m., Washington, D.C. time on the Settlement Date, the Trustee shall, within the time required by the terms of the Credit Facility, draw on the then existing Credit Facility (not the Alternate Credit Facility on a Substitution Date) in an amount sufficient to enable the Tender Agent to pay the Purchase Price of each such Bond when due. On each Settlement Date, the Trustee shall pay or cause to be paid to the Tender Agent the Purchase Price of any Bonds which have not been remarketed only from (i) money obtained by the Trustee pursuant to the Credit Facility then in effect to enable the Trustee to pay the Purchase Price of such tendered Bonds, which amounts shall be transferred by the Trustee to the Tender Agent at or before 3:00 p.m., Washington, D.C. time, on the Settlement Date; and (ii) Eligible Funds from the Borrower to the extent that money obtained pursuant to (i) above are insufficient on any date to pay the Purchase Price of tendered Bonds.

Upon receipt of such Purchase Price and upon receipt of the Bonds tendered for purchase, the Tender Agent shall pay such Purchase Price to the registered owners thereof; provided, that if the Purchase Price was theretofore paid from the proceeds of a draw on the Credit Facility, the Tender Agent shall pay such amount to the Credit Facility Provider. Any amounts drawn under the Credit Facility to purchase Bonds shall be used solely for such purpose. Amounts drawn under the Credit Facility which are not used to purchase Bonds as described under this heading shall be remitted by the Trustee or the Tender Agent to the Credit Facility Provider promptly upon payment of the Purchase Price of the Bonds.

Mandatory Tender of the Bonds on Substitution Date

Except during the Fixed Rate Period, the Borrower, pursuant to the Financing Agreement, is permitted with the written confirmation to the Trustee of the Credit Facility Provider that the provisions of the Reimbursement Agreement have been satisfied, to provide an Alternate Credit Facility to replace the then outstanding Credit Facility at the times specified in the Financing Agreement.

The Bonds shall be subject to mandatory tender for purchase on any Substitution Date from the sources described under the headings "Demand for and Mandatory Purchase of the Bonds" and "Purchase of Bonds Not Remarketed" herein at a Purchase Price equal to the principal amount thereof plus accrued interest to the Substitution Date.

The Trustee shall give notice to the Owners of the Bonds, by first class mail not less than nine days before the Substitution Date specifying that all Bonds must be surrendered to the Tender Agent for purchase not later than 9:30 a.m., Washington, D.C. time, on the Substitution Date.

If all Bonds are not successfully remarketed on any proposed Substitution Date, the proposed substitution of the Alternate Credit Facility shall not occur (though the mandatory tender of the Bonds shall still be required).

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

Optional Redemption

During the Variable Period, the Bonds are subject to optional redemption with the prior written consent of the Credit Facility Provider which consent shall not be unreasonably withheld, conditioned or delayed, in whole or in part, upon optional prepayments on the Bond Mortgage Loan in accordance with the prepayment restrictions set forth in the Bond Mortgage Note and the Financing Agreement from payments made under the Credit Facility (subject to the limitations set forth in the Indenture) or other Eligible Funds deposited with the Trustee, on any date, at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date.

Mandatory Redemption

The Bonds are subject to mandatory redemption on any date, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium, at the earliest practicable date from payments made under the Credit Facility upon the occurrence of any of the following:

(a) in whole or in part, upon receipt by the Trustee of (1) proceeds of a draw under the Credit Facility, in the amount of Net Proceeds representing casualty insurance proceeds or condemnation awards paid as a prepayment of the Bond Mortgage Loan, such amount to be applied to reimburse the Credit Facility Provider for the draw under the Credit Facility as a result of casualty or condemnation of the Project and (2) a written direction by the Credit Facility Provider to redeem such Bonds using money obtained as a result of a draw upon the Credit Facility; or

(b) in whole or in part, upon receipt by the Trustee of amounts from the Credit Facility Provider pursuant to the Credit Facility as a result of the occurrence of an event of default under any Bond Mortgage Loan Document continuing after the giving of notice and the expiration of all applicable cure periods and receipt by the Trustee of a written direction by the Credit Facility Provider to redeem the Bonds pursuant to the Credit Facility; or

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

(d) in part, in Authorized Denominations at the written direction of the Credit Facility Provider (A) on each Reset Adjustment Date, each Variable Rate Adjustment Date and on the Fixed Rate Adjustment Date in an amount not greater than the amount in the Principal Reserve Fund on the first day of the month prior to such Reset Adjustment Date, Variable Rate Adjustment Date or the Fixed Rate Adjustment Date, as applicable, or (B) on any Interest Payment Date during a Variable Period, in an amount not greater than the amount in the Principal Reserve Fund on the first day of the calendar month prior to such Interest Payment Date; or

(e) in part, in Authorized Denominations on each Interest Payment Date, during any Reset Period or Fixed Rate Period, with respect to the Bonds that have term maturities occurring during such Reset Period or Fixed Rate Period commencing on the first sinking fund mandatory redemption date established for the Bonds for such Reset Period or Fixed Rate Period; provided that if less than all the Bonds shall have been redeemed pursuant to the Indenture, the amount of Bonds to be redeemed in each year from sinking fund installments as provided in this paragraph (e) shall be decreased by an amount, in proportion, as nearly as practicable, to the decrease in the payments on the Bond Mortgage Loan in such year as determined by the Trustee; or

(f) in whole, on the day following any Reset Period if the Trustee has not received the items required by the Indenture to effect a new Reset Period or a Fixed Rate Adjustment or upon cancellation of a rate adjustment on a Reset Adjustment Date or a Fixed Rate Adjustment Date; or

(g) subject to the Borrower's or an affiliate's right to purchase Bonds in lieu of their redemption pursuant to the Indenture, in part, on the Interest Payment Date next following the completion of the rehabilitation of the Project, to the extent of amounts in Authorized Denominations transferred to the Redemption Fund from the Bond Proceeds Account of the Mortgage Loan Fund (unless an Opinion of Bond Counsel addressed to the Trustee is delivered to

the effect that an alternate use of such moneys will not have an adverse impact on the tax exempt status of the Bonds).

Selection of Bonds for Redemption

If less than all the Bonds then Outstanding shall be called for redemption, the Bonds shall be selected by lot within each maturity. Bonds shall be redeemed only in Authorized Denominations.

Notice of Redemption

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

Notices of redemption shall state, among other things, the possibility of a purchase of Bonds in lieu of redemption. See "Purchase of Bonds in Whole in Lieu of Redemption" below. Each notice of redemption shall state that further interest on such Bonds will not accrue from and after the redemption date and that payment of the principal amount will be made upon presentation and surrender of the Bonds at the Principal Office of the Trustee unless the Bonds are then held in a book entry only system of registration.

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

Effect of Notice of Redemption

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

Purchase of Bonds in Whole in Lieu of Redemption

At any time during which the Bonds are subject to redemption in whole or in part as described in paragraph (g) under the heading "Mandatory Redemption" above, the Bonds to be redeemed may be purchased by the Trustee on the date which would be the redemption date at a purchase price equal to the redemption price which would have been applicable to such Bonds on the redemption date. The Bonds shall be purchased in lieu of redemption only from amounts provided by the Credit Facility Provider or from other Eligible Funds. No notice to the Holders of the Bonds to be so purchased (other than the notice of redemption otherwise required) shall be required, and the Trustee shall be authorized to apply to such purpose the funds in the Redemption Fund which would have been used to pay the redemption price for such Bonds if such Bonds had been redeemed rather than purchased.

Remarketing Agent

Stone & Youngberg LLC (the “Remarketing Agent”) will serve as remarketing agent with respect to the Bonds under a Remarketing Agreement, dated as of the date of the Indenture (the “Remarketing Agreement”), by and between the Remarketing Agent and the Borrower. The Remarketing Agent will determine the interest rates on the Bonds in accordance with the Indenture and is required to use its best efforts to remarket the Bonds in accordance with the terms of the Remarketing Agreement.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Trust Estate

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

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

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

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

Limited Obligations

THE BONDS, TOGETHER WITH INTEREST THEREON, SHALL BE SPECIAL OBLIGATIONS OF THE ISSUER GIVING RISE TO NO PECUNIARY LIABILITY OF THE ISSUER OR ANY CHARGE AGAINST ITS GENERAL CREDIT, SHALL BE PAYABLE SOLELY FROM THE REVENUES PLEDGED THEREFOR UNDER THE INDENTURE (THE “REVENUES”), AND SHALL BE A VALID CLAIM OF THE RESPECTIVE HOLDERS THEREOF ONLY AGAINST THE

REVENUES. THE BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS, LIABILITY, GENERAL, SPECIAL OR MORAL OBLIGATION OR A PLEDGE OR LOAN OF THE FAITH OR CREDIT OR TAXING POWER, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS, OF THE ISSUER, THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON, AND IN NO EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THE REVENUES.

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

The Credit Enhancement Agreement

To provide security for the Bonds, Freddie Mac will enter into the Credit Enhancement Agreement with the Trustee. See "FREDDIE MAC" herein and Appendix C hereto. Pursuant to the Credit Enhancement Agreement, Freddie Mac is required to pay Guaranteed Payments with respect to the Bond Mortgage Loan relating to the Bonds when and in the amounts due, and the Purchase Price of the Bonds in accordance with the terms of the Indenture and Credit Enhancement Agreement.

Alternate Credit Facility

The Borrower, with the prior written confirmation of the Credit Facility Provider that the provisions of the Reimbursement Agreement have been satisfied (but without the consent of the Issuer, the Trustee or the Bondholders), may, on any Interest Payment Date during a Variable Period arrange for the delivery to the Trustee of an Alternate Credit Facility in substitution for the Credit Facility then in effect (referred to under this heading as "credit support") and, if applicable, for payment of the Purchase Price of Bonds tendered or deemed tendered in accordance the Indenture (referred to under this heading as "liquidity support"); provided that, without the consent of the Borrower (and without the consent of the Issuer, the Trustee or the Bondholders), the Credit Facility Provider may provide any other form of "credit support" or "liquidity support" (or combination thereof) issued by the Credit Facility Provider in substitution for then existing Credit Facility if (A) the conditions described under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Amendments to the Credit Facility" are satisfied or (B)(i) the Rating Agency confirms in writing that such substitution will not result in a reduction, withdrawal or qualification of the then current rating on the Bonds, (ii) the Credit Facility Provider delivers to the Issuer and the Trustee an opinion of counsel satisfying the requirements described in paragraph (c) below and (iii) such substitute "credit support" or "liquidity support"(or combination thereof) does not increase the amounts required to be paid by, or other obligations of, the Borrower. Any Alternate Credit Facility shall satisfy the following conditions, as applicable:

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

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

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

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Bond Proceeds
Tax Credit Equity
Subordinate Loan
Total

Uses of Funds

Project Acquisition
Rehabilitation Costs
Costs of Issuance
Developer Fee
Total

FREDDIE MAC

The information presented under this caption "FREDDIE MAC" has been supplied by Freddie Mac. None of the Issuer, the Trustee, the Borrower or the Underwriter has independently verified such information, and none assumes responsibility for the accuracy of such information.

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

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

On September 7, 2008, the Director of the Federal Housing Finance Agency ("FHFA") appointed FHFA as conservator of Freddie Mac in accordance with the Federal Housing Finance Reform Act of 2008 (the "Reform Act") and the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. On September 7, 2008, in connection with the appointment of FHFA as conservator, Freddie Mac and the U.S. Department of the Treasury ("Treasury") entered into a Senior Preferred Stock Purchase Agreement. Also, pursuant to its authority under the Reform Act, Treasury announced that it has established the Government Sponsored Enterprise Credit Facility (a lending facility to ensure credit

availability to Freddie Mac, Fannie Mae, and the Federal Home Loan Banks that will provide secured funding on an as needed basis under terms and conditions established by the Treasury Secretary to protect taxpayers) and a program under which Treasury will purchase Government Sponsored Enterprise (including Freddie Mac) mortgage-backed securities (MBS) in the open market. The announcements by FHFA and Treasury and descriptions of these programs are available at their respective websites: <http://www.OFHFO.gov> and <http://www.Treasury.gov>.

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

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

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

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

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

THE BORROWER AND THE PROJECT

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

The Borrower

The Borrower is Shadow Way Apartments, LP, a California limited partnership. The Borrower was formed in 2009 for the purpose of owning the Project.

The administrative general partner of the Borrower is Shadow Way Holdings, LLC, a Utah limited liability company (the "Administrative General Partner"). The president of the Administrative General Partner is Kipling S. Sheppard. Mr. Sheppard is Chief Executive Officer and President of Wasatch Advantage Group, LLC, a real estate development company focusing on the development of affordable housing utilizing tax credits and tax-exempt bonds to finance its communities. Mr. Sheppard most recently served as Executive Vice President at Long Beach, Calif.-based Simpson Housing Solutions LLC, a division of Denver-based Simpson Housing Limited Partnership ("SHS"). During his tenure with SHS, Mr. Sheppard was directly involved in more than 250 separate multifamily and senior housing developments representing some 23,850 units nationwide. He was responsible for the development, acquisition and resale of \$1.475 billion in federal low-income housing tax credits and other types of federal and state tax credits, as well as securing more than \$500 million in both construction and permanent financing.

The managing general partner of the Borrower is Western Community Housing, Inc., a California nonprofit public benefit corporation (the "Managing General Partner"). The Managing General Partner has been involved with the development of affordable housing since 1999, and as of January 1, 2009, had an ownership interest in more than 55 affordable housing projects containing approximately 5,000 units located in the states of California, Arizona and West Virginia.

The Project

The Project is located on approximately 10.05 acres at 4707 Yuma Avenue, in the City of Oceanside, California. Construction of the Project was completed in 1987. The Project was acquired by Wasatch Property Holdings in March of 1996.

The buildings comprising the Project are stucco with wood veneer and cement tile roofs. The Project consists of eighteen buildings with a total of 144 units. Amenities at the Project include one swimming pool, spa, tot lot and two laundry rooms. Parking is provided for vehicles, 141 of which are covered and 136 of which are uncovered. Each unit has individual forced air heating and central air-conditioning units. All units have wall-to-wall carpeting with the exception of a small entry area and kitchen area, which are vinyl covered. All units have a patio area or equal sized deck is upstairs.

The unit mix, approximate square footage and rent structure for the Project, as of January 1, 2009, 2009, are summarized in the following table:

Unit Type	Average Sq. Feet	No. of Units	Average Rent
Two Bedroom — One Bath	750	144	\$1,175

Occupancy at the Project has averaged 92.36% during the calendar year 2006, 86.81% during the calendar year 2007 and 90.97% during the calendar year 2008. Occupancy at the Project as of January _____, 2009, the most recent date for which occupancy information is available, was _____%.

The following chart shows the unaudited results of operations for the Project for the 12 months ended December 31 of 2006, 2007 and 2008:

	2006	2007	2008
Revenues	\$1,709,227	\$1,911,385	\$1,860,225
Operating Expenses	<u>(703,601)</u>	<u>(701,936)</u>	<u>(699,933)</u>
Net Cash Flow Available for Debt Service ¹	<u>\$1,005,626</u>	<u>\$1,209,449</u>	<u>\$1,160,292</u>

¹Before depreciation and other noncash expense items.

Management of the Project

Management of the Project will be handled by Wasatch Property Management, Inc. (the “Manager”. The Manager has extensive experience managing multifamily properties including projects financed with tax credits and bond financing which are subject to Regulatory Agreements. The Manager currently performs asset management and property management for over 5,500 apartment units in the State of California.

Restrictive Covenants

The Project will be subject to the terms and conditions of the following regulatory agreements:

The Regulatory Agreement imposes certain requirements on the Borrower with respect to the tax-exempt status of the Bonds under the Code, which include, among other requirements, a requirement that 90% of the completed residential units in the Project be occupied by individuals whose income does not exceed 60% of the median gross income for the area in which the Project is located and a requirement that 10% of the completed residential units in the Project be occupied by individuals whose income does not exceed 50% of the median gross income for the area in which the Project is located. In addition, the Regulatory Agreement restricts rents which may be charged for occupancy of these units during the Qualified Project Period. See “SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT” herein for a description of the requirements affecting the operation of the Project in order to assure compliance with the Code and state law.

The Borrower expects that, upon completion, the Project will qualify for federal low income housing tax credits. To maximize the aggregate low income tax credits realizable by the Borrower, it is anticipated that, among other things, 100% of the units in the Project will be rented to individuals or households earning 60% or less of median gross income for the area in which the Project is located, adjusted for household size, as determined by the United States Department of Housing and Urban Development. Monthly rents on units in the Project will be limited to 1/12 of 30% of 60% of median gross income for the area in which the Project is located, adjusted for imputed household size. The tenant

income limits and rental restrictions under Section 42 of the Code assume that studio apartments are occupied by one person, that one bedroom apartments are occupied by an average of 1.5 persons, that two bedroom apartments are occupied by three persons and that three bedroom apartments are occupied by an average of 4.5 persons. Violation of tax credit covenants may result in penalties against the Borrower or recapture of the tax credits, among other things.

Limited Recourse to Borrower

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

THE SERVICER

Prudential Affordable Mortgage Company (the "Servicer") will perform mortgage servicing functions with respect to the Bond Mortgage Loan on behalf of and in accordance with Freddie Mac requirements. The servicing arrangements between Freddie Mac and the Servicer for servicing the Bond Mortgage Loan are solely between Freddie Mac and the Servicer and neither the Issuer nor the Trustee is deemed to be a party thereto or has any claim, right, obligation, duty or liability with respect to the servicing of the Bond Mortgage Loan.

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

CERTAIN BONDHOLDERS' RISKS

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

No Borrower Personal Liability

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

Credit Facility; Primary Security

While the Bonds bear interest at the Variable Rate, owners of the Bonds may tender their Bonds for purchase at any time upon seven days' notice. See "THE BONDS—Demand for and Mandatory Purchase of the Bonds" herein. It is therefore expected that, during any Variable Period, the primary security for the Bonds will be the Credit Enhancement Agreement delivered by Freddie Mac to the Trustee in order to pay the principal, interest and purchase price for the Bonds. See "—Enforceability and Bankruptcy" below. Based on this expectation, no financial information as to the creditworthiness of the Borrower or the value of the Project is included herein.

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

Limited Security

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

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

THE BONDS ARE NOT SUBJECT TO ACCELERATION OR REDEMPTION (UNLESS FREDDIE MAC SHALL CAUSE, IN ITS SOLE DISCRETION, SUCH ACCELERATION OR REDEMPTION), AND THE RATE OF INTEREST ON THE BONDS IS NOT SUBJECT TO RETROACTIVE ADJUSTMENT, BY REASON OF THE INTEREST ON THE BONDS BEING INCLUDED IN GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION. Such event could occur if the Borrower (or any subsequent owner of the Project) does not comply with the provisions of the Financing Agreement and the Regulatory Agreement, which are designed, if complied with, to satisfy the continuing compliance requirements the Code in order for the interest on the Bonds to be excludable from gross income for purposes of federal income tax. Under such circumstances, interest on the Bonds might become subject to federal income taxation retroactive to the date of issuance or some other subsequent date.

Early Redemption

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

Economic Feasibility

The economic feasibility of the Project depends in large part upon it being substantially occupied at projected rent levels. There can be no assurance that in the future the Borrower will be able to market its services at rates which will enable it to make timely payments on the Bond Mortgage Loan.

Competing Facilities

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

Enforceability and Bankruptcy

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

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

Normal Risks

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

Environmental Matters

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

Management of the Project

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

Effect of Increases in Operating Expenses

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

Subordinate Loan

Simultaneously with the issuance of the Bonds, the City of Oceanside (the “Subordinate Lender”) is expected to make a loan to the Borrower in the approximate amount of \$5,600,000 (the “Subordinate Loan”), the proceeds of which will be applied to pay a portion of the cost of the acquisition and rehabilitation of the Project.

The Subordinate Loan will bear interest at _____% per annum, have a two year interest only period and will mature on _____. The Subordinate Loan is subordinate in all respects to the Bonds pursuant to the Subordination Agreement, dated as of the date of the Indenture (the “Subordinate Loan Subordination Agreement”), by and among Freddie Mac and the Subordinate Lender. Pursuant to the Subordinate Loan Subordination Agreement, the obligation of the Borrower to repay the Subordinate Loan is and shall be subordinate in right of payment to the prior payment in full of all the indebtedness evidenced by the Bond Mortgage Note described herein. Repayment of amounts due with respect to the Subordinate Loan is not secured by the Credit Facility described herein.

Notwithstanding the foregoing, purchasers of the Bonds offered hereby should be aware that a default with respect to the repayment obligations relating to the Subordinate Loan constitutes a default under the Reimbursement Agreement, giving Freddie Mac the option to direct the Trustee to redeem the Bonds at a price equal to the principal amount thereof plus accrued interest to the redemption date, without premium. See “THE BONDS—Mandatory Redemption” herein.

Additional Bonds and Subordinate Financing

The Borrower may obtain additional financing for the Project at a future date. Such additional financing could be in the form of additional bonds issued by the Issuer. Additional Bonds could be issued on a parity basis with the Bonds pursuant to a supplemental trust indenture provided that the issuance thereof was not materially adverse to the interest of the Bondholders. Such additional financing could also be in the form of a conventional loan the payment obligations with respect to which would be subordinate to or in some cases could be on parity with the Borrower’s payment obligations under the Bond Mortgage Loan. In either case, the increased repayment obligations of the Borrower could increase the likelihood of an early redemption of the Bonds. Any such redemption would be at a price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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

Establishment of Funds

The Trustee shall establish, maintain and hold in trust the following funds and accounts, each of which shall be disbursed and applied only as authorized in the Indenture:

- (a) Bond Mortgage Loan Fund;
- (b) Revenue Fund, and within the Revenue Fund a General Account and a Credit Facility Account;
- (c) Bond Fund, and within the Bond Fund a Purchased Bonds Account;
- (d) Redemption Fund;
- (e) Principal Reserve Fund;
- (f) Bond Purchase Fund;
- (g) Rebate Fund;
- (h) Administration Fund; and
- (i) Cost of Issuance Fund.

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

Bond Mortgage Loan Fund

The Trustee shall deposit the proceeds of the sale of the Bonds in the Bond Mortgage Loan Fund. Amounts in the Bond Mortgage Loan Fund shall be disbursed as described below. Following the rehabilitation of the Project, any balance remaining in the Bond Mortgage Loan Fund shall be applied as described below.

Upon the deposit of money to the credit of the Bond Mortgage Loan Fund, the Trustee shall originate the Bond Mortgage Loan pursuant to the Financing Agreement and the Trustee shall make disbursements of amounts in the Bond Mortgage Loan Fund to the Borrower or otherwise as provided in the Indenture.

Amounts on deposit in the Bond Mortgage Loan Fund shall be disbursed from time to time by the Trustee for the purpose of paying Rehabilitation Costs of the Project that are approved by the Servicer pursuant to the terms, conditions and provisions of the [Repair Agreement/Rehabilitation Escrow Agreement]. In addition, amounts in the Bond Mortgage Loan Fund may be used for transfer to the Redemption Fund pursuant to the Indenture. On the Closing Date, the amount set forth in the Indenture shall be disbursed from the Bond Mortgage Loan Fund to pay Rehabilitation Costs for the Project.

Immediately prior to any mandatory redemption of Bonds as described in paragraph (b) under the heading “THE BONDS—Mandatory Redemption” herein, any amounts then remaining in the Bond Mortgage Loan Fund shall, at the written direction of the Credit Facility Provider, be transferred to the Redemption Fund to be applied to the redemption of Bonds described in paragraph (b) under the heading “THE BONDS—Mandatory Redemption” herein. In addition, any amount remaining in the Mortgage Loan Fund following completion of the acquisition and rehabilitation of the Project, as certified by the Servicer, shall be transferred to the Redemption Fund and used to reimburse the Credit Facility Provider for the related redemption of Bonds as described in paragraph (g) under the heading “THE BONDS—Mandatory Redemption” herein.

All Investment Income earned on amounts on deposit in the accounts of the Bond Mortgage Loan Fund shall be retained in and credited to and become a part of the amounts on deposit in such accounts of the Bond Mortgage Loan Fund, including any transfers described under this heading relating to redemptions of the Bonds.

Revenue Fund

All Revenues shall be deposited by the Trustee, promptly upon receipt thereof, to the General Account of the Revenue Fund, except (i) the proceeds of the Bonds received by the Trustee on the Delivery Date, which shall be applied as described under the heading “Bond Mortgage Loan Fund” above; (ii) amounts paid pursuant to the Credit Facility, which shall be deposited in the Credit Facility Account; (iii) the Bond Fee Component received from the Servicer or the Borrower, which shall be deposited to the Administration Fund; (iv) as otherwise described below with respect to certain deposits into the Redemption Fund; (v) as otherwise described under the heading “Administration Fund” below with respect to deficiencies in the Administration Fund; (vi) with respect to investment earnings to the extent required under the terms hereof to be retained in the funds and accounts to which they are attributable; (vii) as otherwise described under the heading “Principal Reserve Fund” below with respect to certain deposits in the Principal Reserve Fund; and (viii) with respect to amounts required to be transferred between funds and accounts as provided in the Indenture.

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

FIRST: to the Bond Fund from money in the Credit Facility Account of the Revenue Fund, an amount equal to the principal of and interest due on the Bonds on such date (excluding principal or interest on any Purchased Bonds and excluding the principal constituting a mandatory sinking fund payment on any Bonds on such date); and

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

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

FOURTH: to the Credit Facility Provider to reimburse draws under the Credit Facility to effect redemptions of Bonds from amounts in the Principal Reserve Fund to the extent required by the Indenture; and

FIFTH: to the Purchased Bonds Account in the Bond Fund from money in the General Account, an amount equal to the interest due on the Purchased Bonds on such date.

The Trustee shall deposit directly to the Redemption Fund (i) Net Proceeds representing casualty insurance proceeds or condemnation awards paid as a prepayment of the Bond Mortgage Loan, such amount to be applied to reimburse the Credit Facility Provider for a draw under the Credit Facility in such amount to provide for extraordinary mandatory redemption of all or a portion of the Bonds described in paragraph (a) under the heading "THE BONDS—Mandatory Redemption" above; (ii) any amounts transferred from the Bond Mortgage Loan Fund following completion of rehabilitation as described under the heading "Bond Mortgage Loan Fund" above; (iii) Eligible Funds (other than draws under the Credit Facility) paid to the Trustee to be applied to the optional redemption of all or a portion of the Bonds; and (iii) Eligible Funds (other than draws under the Credit Facility) paid to the Trustee to be applied to the payment of any redemption premium in connection with an optional redemption of all or a portion of the Bonds.

Immediately upon receipt, the Trustee shall deposit directly to the Principal Reserve Fund all Principal Reserve Schedule Payments received by the Servicer from the Borrower.

Immediately upon receipt, the Trustee shall deposit directly to the Administration Fund the Bond Fee Component received from the Servicer or the Borrower.

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

Bond Fund

The Trustee shall charge the Bond Fund, on each Interest Payment Date, an amount equal to the unpaid interest and principal due on the Bonds on such Interest Payment Date, and shall cause the same to be applied to the payment of such interest and principal when due (excluding principal on any Purchased Bond). Any money remaining in the Bond Fund on any Interest Payment Date after application as described in the preceding sentence may, to the extent there shall exist any deficiency in the Redemption Fund to redeem Bonds called for mandatory sinking fund redemption on such Interest Payment Date, be transferred to the Redemption Fund to be applied for such purpose. Any balance remaining in the Bond Fund on the Business Day immediately succeeding an Interest Payment Date shall be transferred to the

Servicer for payment to the Credit Facility Provider to be applied in accordance with the Reimbursement Agreement.

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

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

Redemption Fund

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

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

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

Principal Reserve Fund

There shall be deposited into the Principal Reserve Fund the Principal Reserve Schedule Payments. Any interest earned on or profits realized from amounts on deposit in the Principal Reserve Fund shall be deposited into the Principal Reserve Fund and, provided that the Trustee has not received notice from the Servicer of a deficiency in the Principal Reserve Fund, the Hedge Fee Escrow or other Custodial Escrow Account, and there is no deficiency in the Administration Fund or the Rebate Fund, and the Trustee has not received notice that a default exists under any of the Bond Mortgage Loan Documents, shall be paid to the Borrower on the Interest Payment Date next succeeding receipt of such interest or profits by the Trustee. In addition, there shall be deposited into the Principal Reserve Fund remarketing proceeds relating to Purchased Bonds, which shall be used to reimburse the Credit Facility Provider in an amount equal to the amount of any Liquidity Advance paid to the Trustee to purchase Bonds on any Settlement Date.

At the direction of the Credit Facility Provider, amounts on deposit in the Principal Reserve Fund shall be used by the Trustee to pay any amounts required to be paid by the Borrower under any Bond Mortgage Loan Document, to pay any amounts owed to the Credit Facility Provider in connection with any loan purchased by the Credit Facility Provider and secured by the Project, or to pay any other amount agreed to in writing by the Borrower and the Credit Facility Provider; provided that the amounts on deposit in the Principal Reserve Fund shall, upon the occurrence of an event of default under any Bond Mortgage Loan Document, be used in any manner and for any purpose specified by the Credit Facility Provider.

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

On each Reset Adjustment Date, on each Variable Rate Adjustment Date and on the Fixed Rate Adjustment Date, amounts on deposit in the Principal Reserve Fund shall be used to reimburse the Credit Facility Provider in an amount equal to any Guaranteed Payment made by the Credit Facility Provider to the Trustee under the Credit Facility to redeem Bonds as described in paragraph (d) under the heading “THE BONDS—Mandatory Redemption” above.

On the first day of the month in which an Interest Payment Date falls during a Reset Period or a Fixed Rate Period, amounts on deposit in the Principal Reserve Fund shall be used to reimburse the Credit Facility Provider in an amount equal to any Guaranteed Payment made by the Credit Facility Provider to the Trustee under the Credit Facility to redeem Bonds as described in paragraph (e) under the heading “THE BONDS—Mandatory Redemption” above.

On any Interest Payment Date, to the extent of any deficiency in the Bond Fund, to the extent money then available in accordance with the Indenture in the General Account of the Revenue Fund, the Administration Fund and the Redemption Fund are insufficient to make up such deficiency, at the direction of the Credit Facility Provider, amounts on deposit in the Principal Reserve Fund shall be transferred to the Bond Fund in the amount of such deficiency.

Any amounts remaining in the Principal Reserve Fund after payment in full of the principal of and interest on the Bonds shall be applied as described under the heading “Amounts Remaining in Funds” below.

Bond Purchase Fund

The Tender Agent shall hold all money delivered to it for the purchase of Bonds (including any remarketing proceeds or proceeds of draws on the Credit Facility) in trust in a non-commingled account to be known as the “Bond Purchase Fund” for the benefit of the Person or entity which shall have so delivered such money until the Bonds purchased with such money shall have been delivered to or for the account of such Person. Such money shall be held uninvested except as directed in writing by the Credit Facility Provider and then only in Qualified Investments of the type described in clauses (a) and (b) of the definition thereof. The Issuer and the Borrower shall not have any right, title or interest in such money.

Rebate Fund

On any date on which any amounts are required by applicable federal tax law to be rebated to the federal government, amounts shall be deposited into the Rebate Fund by the Borrower for such purpose. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the rebate requirement (as set forth in the Tax Certificate) and as calculated by the Rebate Analyst, for payment to the United States Government, and neither the Issuer, the Borrower, the Credit Facility Provider nor the Bondholders shall have any rights in or claim to such money.

Within 55 days of the end of each fifth Bond Year, the Borrower shall cause the Rebate Analyst to calculate the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the 1986 Code and Section 1.148-3 of the Rebate Regulations (taking into account any exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the 1986 Code)), for this purpose treating the last day of the applicable Bond Year as a (computation) date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the “Rebatable Arbitrage”).

Within 55 days of the end of each fifth Bond Year, upon the written direction of the Issuer, Bond Counsel or the Rebate Analyst, an amount shall be deposited to the Rebate Fund by the Trustee from amounts provided by the Borrower, if and to the extent required so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated as described in the preceding paragraph.

The Trustee shall pay, as directed by the Issuer, Bond Counsel or the Rebate Analyst, to the United States Treasury, out of amounts in the Rebate Fund:

(i) Not later than 60 days after the end of (A) the fifth Bond Year, and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and

(ii) Not later than 60 days after the payment of all the Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the 1986 Code.

Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Trustee, shall be withdrawn and remitted to the Borrower.

Notwithstanding the foregoing, the computations and payments of Rebatable Arbitrage 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 to the effect that such failure will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds, a copy of which shall be provided to the Trustee, at the expense of the Borrower.

Administration Fund

Amounts in the Administration Fund shall be withdrawn or maintained, as appropriate, by the Trustee and used FIRST, in accordance with the Indenture, to make up any deficiency in the Bond Fund on any Interest Payment Date, to the extent money then available in the General Account of the Revenue Fund is insufficient to make up such deficiency; SECOND, to pay to the Trustee when due the Ordinary Trustee’s Fees and Expenses; THIRD, to pay to the Issuer when due the Issuer Fee; FOURTH, to pay the reasonable fees and expenses of a Rebate Analyst when due in connection with the computations relating to arbitrage rebate required under the Indenture and the Financing Agreement, upon receipt of an invoice from the Rebate Analyst; FIFTH, to deposit to any Custodial Escrow Account any deficiency in the amount held therein as certified in writing by the Servicer (or subsequent holder of the account) to the Trustee; SIXTH, to pay to the Remarketing Agent any unpaid portion of the Remarketing Agent Fee owed to it; SEVENTH, to pay to the Trustee any Extraordinary Trustee’s Fees and Expenses due and payable from time to time, as set forth in an invoice submitted to the Issuer and Freddie Mac; EIGHTH, to pay to the Issuer any extraordinary expenses it may incur in connection with the Bonds or the Indenture from time to time, as set forth in an invoice submitted to the Trustee and Freddie Mac; NINTH, to pay to

the Credit Facility Provider any unpaid portion of the amounts due under the Reimbursement Agreement, as certified in writing by the Credit Facility Provider to the Trustee; TENTH, to pay to the Servicer any unpaid portion of the Ordinary Servicing Fees and Expenses and any Extraordinary Servicing Fees and Expenses due and owing from time to time, as set forth in an invoice submitted to the Trustee and Freddie Mac; ELEVENTH, to make up any deficiency in the Redemption Fund on any redemption date of Bonds, to the extent money then available in accordance with the Indenture in the Redemption Fund are insufficient to redeem Bonds called for redemption on such redemption date; TWELFTH, to pay to the Rating Agency when due the annual rating maintenance fee, if any; and THIRTEENTH, to transfer any remaining balance after application as aforesaid to the General Account of the Revenue Fund.

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

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

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

Cost of Issuance Fund

The Trustee shall use money on deposit to the credit of the Cost of Issuance Fund to pay the costs of issuance on the Delivery Date or as soon as practicable thereafter, upon delivery to the Trustee of appropriate invoices for such expenses and a requisition in the form attached to the Indenture. Amounts remaining on deposit in the Cost of Issuance Fund three months after the Delivery Date shall be transferred to the Borrower. Upon such final disbursement, the Trustee shall close the Cost of Issuance Fund.

Investment of Funds

The money held by the Trustee shall constitute trust funds for the purposes of the Indenture. Any money attributable to each of the funds and accounts under the Indenture (except the Principal Reserve Fund as described under this heading and the Bond Purchase Fund, the investment of which is described under the heading "Bond Purchase Fund" above) shall be invested by the Trustee, at the direction of the Borrower, in Qualified Investments which mature on the earlier of (i) six months from the date of investment and (ii) the date such money is needed; provided, that if the Trustee shall have entered into any investment agreement requiring investment of money in any fund or account under the Indenture in accordance with such investment agreement and if such investment agreement constitutes a Qualified Investment, such money shall be invested in accordance with such requirements; and provided, further, that amounts in the Credit Facility Account of the Revenue Fund shall be invested only in Government Obligations or in Qualified Investments of the type described in subparagraph (g) of the definition thereof which, in any case, shall mature or be subject to tender or redemption at par on or prior to the earlier of: (i) 30 days from the date of investment or (ii) the date such money is required to be applied pursuant to the provisions of the Indenture. Except as otherwise described in the preceding sentence, in the absence of the written direction of the Borrower, the Trustee shall invest amounts on deposit in the funds and accounts established under the Indenture in investments described in subparagraph (g) of the definition of

Qualified Investments. Such investments may be made through the investment or securities department of the Trustee. All such Qualified Investments purchased with money in any fund or account under the Indenture shall mature, or shall be subject to redemption or withdrawal without discount or penalty at the option of the Trustee, prior to the next succeeding Interest Payment Date.

Amounts on deposit in the Principal Reserve Fund shall be invested and reinvested by the Trustee as provided in the Reimbursement Agreement.

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

The Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with the Indenture.

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

Money Held for Particular Bonds; Funds Held in Trust

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

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

Amounts Remaining in Funds

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

Payments Under Bond Mortgage Loan

References in the Indenture to payments or prepayments of the Bond Mortgage Loan shall, for all purposes of the Indenture, refer solely to such portion of such payments or prepayments actually paid by the Credit Facility Provider to the Trustee as Guaranteed Payments pursuant to the Credit Facility for which the Borrower has correspondingly reimbursed the Credit Facility Provider in an amount equal to the Guaranteed Payments. Without in any way limiting the foregoing, pursuant to the Guide, the Servicer will pay the Freddie Mac Credit Enhancement Fee, the Freddie Mac Reimbursement Amount and the Ordinary Servicing Fees and Expenses from payments under the Bond Mortgage Loan made by the Borrower prior to remitting the balance of such payments or prepayments to the Trustee for application as provided in the Indenture.

Drawings Under Credit Facility

The Credit Facility shall be held by the Trustee and drawn upon in accordance with its terms and the provisions of the Indenture. Money derived from draws upon the Credit Facility shall be deposited in the Credit Facility Account of the Revenue Fund and applied by the Trustee to pay the principal of and interest on the Bonds, and, in the event of a purchase of the Bonds, to pay, to the extent provided in the Credit Facility, the Purchase Price of the Bonds in accordance with the Indenture.

The Trustee shall draw money under the Credit Facility in accordance with the terms thereof when needed and in amounts sufficient to make timely payments of the principal of and interest, but not premium, on the Bonds when due and payable (i.e., on any Interest Payment Date, any Settlement Date, any redemption date or the Maturity Date). The Trustee shall not, however, be permitted to draw on the Credit Facility to pay principal of and interest on Purchased Bonds.

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

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

The Borrower shall be permitted to provide the Trustee with an Alternate Credit Facility in accordance with the Indenture and the Financing Agreement.

Events of Default; Acceleration; Remedies

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

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

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

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

Notwithstanding the provisions of the Indenture, no default under the terms of the Indenture shall be construed as resulting in a default under the Bond Mortgage Note, the Bond Mortgage or any other Bond Mortgage Loan Document, unless such event also constitutes an event of default thereunder.

Upon the occurrence of an Event of Default described in paragraph (a) above, the Trustee shall, but so long as no Event of Default has occurred and is then continuing as described in paragraph (b) above, only upon receipt from the Credit Facility Provider of a notice directing such acceleration (which notice may be given in the sole discretion of the Credit Facility Provider), by notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable and interest on the Bonds shall cease to accrue, anything contained in the Indenture or in the Bonds to the contrary notwithstanding.

Upon the occurrence of an Event of Default described in paragraph (c) above, the Trustee may, but so long as no Event of Default has occurred and is then continuing as described in paragraph (b) above, only upon receipt of the written consent of the Credit Facility Provider (which consent may be given in the sole discretion of the Credit Facility Provider), by notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable and interest on the Bonds shall cease to accrue, anything contained in the Indenture or in the Bonds to the contrary notwithstanding.

Upon the occurrence of an Event of Default described in paragraph (b) above, the Trustee may, and upon the written request of the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding and receipt of indemnity satisfactory to it shall, by notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable and interest on the Bonds shall cease to accrue upon such declaration, anything contained in the Indenture or in the Bonds to the contrary notwithstanding.

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

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

all unpaid installments of interest (if any) upon all the Bonds then due, with interest at the rate borne by the Bonds on such overdue principal and (to the extent legally enforceable) on such overdue installments of interest, and the reasonable fees and expenses of the Trustee shall have been made good or cured or adequate provision shall have been made therefor, and all outstanding amounts then due and unpaid under the Reimbursement Agreement (including with respect to Freddie Mac all outstanding Freddie Mac Reimbursement Amounts and all Freddie Mac Credit Enhancement Fees) shall have been paid in full, and all other defaults under the Indenture shall have been made good or cured or waived in writing by the Credit Facility Provider (or, if an Event of Default described in paragraph (b) above has occurred and is then continuing, by the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding), then and in every case, the Trustee on behalf of the Holders of all the Outstanding Bonds shall rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, nor shall it impair or exhaust any right or power consequent thereon.

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

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

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

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

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

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee, the Credit Facility Provider or the Bondholders hereunder or under the Financing Agreement, the Regulatory Agreement, the Credit Facility or the Reimbursement Agreement, as applicable, or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any Event of Default

shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. No waiver of any Event of Default under the Indenture, whether by the Trustee, the Credit Facility Provider or the Bondholders, shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereto.

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

Rights of Bondholders

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

Application of Moneys After Default

All money collected by the Trustee at any time pursuant to the provisions of the Indenture relating to Events of Default shall, except to the extent, if any, otherwise directed by a court of competent jurisdiction, be credited by the Trustee to the General Account of the Revenue Fund. Such money so credited to the General Account of the Revenue Fund and all other money from time to time credited to the General Account of the Revenue Fund shall at all times be held, transferred, withdrawn and applied as prescribed by the provisions of the Indenture.

In the event that at any time the money credited to the Revenue Fund, the Bond Fund, the Redemption Fund, the Administration Fund and the Principal Reserve Fund available for the payment of interest or principal then due with respect to the Bonds shall be insufficient for such payment, such money (other than money held for the payment or redemption of particular Bonds as provided in the Indenture) and amounts drawn from the Credit Facility as described under the heading “Events of Default; Acceleration; Remedies” above shall be applied as follows and in the following order of priority:

- (a) For payment of all amounts due to the Trustee incurred in performance of its duties under the Indenture, including, without limitation, the payment of all reasonable fees and expenses of the Trustee incurred in exercising any remedies under the Indenture.
- (b) So long as no Event of Default has occurred and is then continuing as described in paragraph (b) under the heading “Events of Default; Acceleration; Remedies” above, for the payment to the Credit Facility Provider of all amounts then due and unpaid under the Reimbursement Agreement (including with respect to Freddie Mac all Freddie Mac Credit Enhancement Fees and Freddie Mac Reimbursement Amounts).

(c) Unless the principal of all Bonds shall have become or have been declared due and payable:

FIRST: to the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available is not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference; and

SECOND: to the payment to the Persons entitled thereto of the unpaid principal of and premium, if any (which payment of premium shall not be restricted to Eligible Funds), on any Bonds which shall have become due, whether at maturity or by call for redemption, in the order in which they became due and payable, and, if the amount available is not sufficient to pay in full all the principal of and premium, if any, on the Bonds so due on any date, then to the payment of principal ratably, according to the amounts due on such date, to the Persons entitled thereto, without any discrimination or preference, and then to the payment of any premium due on the Bonds, ratably, according to the amounts due on such date, to the Persons entitled thereto, without any discrimination or preference.

(d) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal of, premium, if any (which payment of premium shall not be restricted to Eligible Funds), and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due, respectively, for principal, premium and interest, to the Persons entitled thereto without any discrimination or preference except as to any differences in the respective rates of interest specified in the Bonds.

(e) If an Event of Default has occurred and is then continuing as described in paragraph (b) under the heading "Events of Default; Acceleration; Remedies" above, for the payment to the Credit Facility Provider of all amounts then due and unpaid under the Reimbursement Agreement to the date of such Event of Default.

Remedies of Bondholders

No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust under the Indenture or for the appointment of a receiver or any other remedy under the Indenture, unless (a) a default shall have occurred of which the Trustee shall have been notified as provided in the Indenture; (b) such default shall have become an Event of Default described in paragraph (b) under the heading "Events of Default; Acceleration; Remedies" above; (c) the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding with respect to which there is such an Event of Default shall have made written request to the Trustee and shall have offered reasonable opportunity to the Trustee either to proceed to exercise the powers granted by the Indenture or to institute such action, suit or proceeding in its own name; (d) such Holders shall have offered to the Trustee indemnity as provided in the Indenture; and (e) the Trustee shall within 60 days thereafter fail or refuse to exercise the powers granted by the Indenture, or to institute such action, suit or proceeding; it being understood and intended that no one or more Holders of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture or the rights of any other Holders of Bonds or to obtain priority or preference over any other Holders or to enforce any right under the Indenture, except in the manner provided in the

Indenture with respect to the equal and ratable benefit of all Holders of Bonds with respect to which there is a default. Nothing contained in the Indenture shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of, the premium, if any, and interest on any Bond at the maturity thereof or the obligation of the Issuer to pay the principal of, premium, if any, and interest on the Bonds issued under the Indenture to the respective holders thereof, at the time, in the place, from the sources and in the manner expressed in the Indenture and in said Bonds.

Rights of the Credit Facility Provider

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

Notice of Certain Tax Events

The Trustee shall provide prompt written notice by first class mail to the Holders in accordance with the Indenture of any Market Risk Event of the type described in paragraph (a) of the definition thereof of which the Trustee is aware.

Supplemental Indentures Not Requiring Consent of Bondholders

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

- (a) to cure any formal defect, omission, inconsistency or ambiguity in the Indenture in a manner not materially adverse to the Holder of any Bond to be Outstanding after the effective date of the change;
- (b) to grant to or confer upon the Trustee for the benefit of the Holders of the Bonds any additional rights, remedies, powers or authority that may lawfully be granted or conferred and

that are not contrary to or inconsistent with the Indenture or the rights of the Trustee under the Indenture as theretofore in effect;

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

(d) to modify, amend or supplement the Indenture or any indenture supplemental to the Indenture in such manner as to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute in effect or to permit the qualification of the Bonds for sale under any state blue sky laws;

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

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

(g) during a Variable Period, to modify, amend or supplement the Indenture in any other respect, including amendments which would otherwise be described under the heading "Supplemental Indentures Requiring Consent of Bondholders" below, 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;

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

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

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

Supplemental Indentures Requiring Consent of Bondholders

With the prior written consent of the Credit Facility Provider, the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the Issuer and the Trustee of such indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing described under this heading shall permit, or be construed as permitting, (a) an extension of the time for payment of or reduction in the Purchase Price, or an extension of the time for payment of, or an extension of the stated maturity or reduction in the principal amount or reduction in the rate of interest on or extension of the time of payment, of interest on, or reduction of any premium payable on the redemption of, any Bonds, or a reduction in the Borrower's

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

If at any time the Issuer shall request the Trustee to enter into any such supplemental indenture for any of the purposes described under this heading, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed, postage prepaid, to all registered Bondholders and to the Credit Facility Provider. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the corporate trust office of the Trustee for inspection by all Bondholders.

Thirty days after the date of the mailing of such notice, the Issuer and the Trustee may enter into such supplemental indenture substantially in the form described in such notice, but only if there shall have first been or is simultaneously delivered to the Trustee the required consents, in writing, of the Credit Facility Provider and the Holders of not less than the percentage of Bonds as described under this heading. If the Holders of not less than the percentage of Bonds as described under this heading shall have consented to and approved the execution and delivery of a supplemental indenture as provided in the Indenture, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in the Indenture permitted and provided, the Indenture shall be and be deemed to be modified and amended in accordance therewith. The Trustee may rely upon an opinion of counsel as conclusive evidence that execution and delivery of a supplemental indenture has been effected in compliance with the provisions of the Indenture

Anything in the Indenture to the contrary notwithstanding, unless the Borrower shall then be in default of any of its obligations under the Financing Agreement, the Reimbursement Agreement, the Regulatory Agreement, the Bond Mortgage Note, the Bond Mortgage or the Reimbursement Mortgage, a supplemental indenture which affects any rights of the Borrower shall not become effective unless and until the Borrower shall have expressly consented in writing to the execution and delivery of such supplemental indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture to be mailed by certified or registered mail to the Borrower or the Borrower's attorney at least 15 days prior to the proposed date of execution and delivery of any supplemental indenture.

Notwithstanding any other provision of the Indenture, the Issuer and the Trustee may consent to any supplemental indenture upon receipt of the consent of the Credit Facility Provider, the Holders of all Bonds then Outstanding and, as applicable, the Borrower.

Amendments to Financing Agreement Not Requiring Consent of Bondholders

The Trustee shall, without the consent of, or notice to, the Bondholders, but with the consent of the Borrower and the Credit Facility Provider, consent to any amendment, change or modification of the Financing Agreement as follows:

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

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

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

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

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

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

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

Amendments to Financing Agreement Requiring Consent of Bondholders

Except for the amendments, changes or modifications of the Financing Agreement described under the heading "Amendments to Financing Agreement Not Requiring Consent of Bondholders" above, neither the Issuer nor the Trustee shall consent to any other amendment, change or modification of the Financing Agreement without the consent of the Credit Facility Provider and the Borrower and without the giving of notice and the written approval or consent of the Holders of at least 51% of the aggregate principal amount of the Bonds then Outstanding given and procured in accordance with the procedure set described under the heading "Supplemental Indentures Requiring Consent of Bondholders" above; provided, however, that nothing described under this heading shall permit, or be construed as permitting, any amendment, change or modification of the Borrower's obligation to make the payments required under the Financing Agreement without the consent of the Holders of all of the Bonds then Outstanding. If at any time the Issuer and the Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification of the Financing Agreement, the Trustee shall cause notice of such proposed amendment, change or modification to be given in the same manner described under the heading "Supplemental Indentures Requiring Consent of Bondholders" above. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the

instrument embodying the same are on file at the principal office of the Trustee for inspection by Bondholders.

Amendments to the Credit Facility

The Trustee may, without the consent of, or notice to, any of the Bondholders enter into any amendment, change or modification of the Credit Facility (a) as may be required by the provisions of the Credit Facility, (b) to cure any formal defect, omission, inconsistency or ambiguity in the Credit Facility, (c) in a manner which is not prejudicial to the interests of the Bondholders (which shall be conclusively evidenced by an opinion of counsel delivered to the Trustee, the Issuer and the Credit Facility Provider or by a written confirmation from the Rating Agency of the then existing rating on the Bonds delivered to the Trustee, the Issuer and the Credit Facility Provider), or (d) as required by the Rating Agency to maintain the then current rating on the Bonds.

Opinion of Bond Counsel Required

No supplement or amendment to the Financing Agreement or the Indenture, as described above shall be effective until the Issuer, the Trustee, the Remarketing Agent and the Credit Facility Provider shall have received an opinion of Bond Counsel to the effect that such supplement or amendment is authorized or permitted by the Indenture and, upon execution and delivery thereof, will be valid and binding upon the Issuer in accordance with its terms and will not cause interest on the Bonds to be includable in gross income of the Holders thereof for federal income tax purposes. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, the opinion of any counsel approved by it as conclusive evidence that (i) any proposed supplemental indenture or amendment permitted by the Indenture complies with the provisions of the Indenture, (ii) it is proper for the Trustee to join in the execution of that supplemental indenture or amendment under the provisions of the Indenture and (iii) if applicable, any such proposed supplemental indenture or amendment is not materially adverse to the interests of the Bondholders.

Trustee

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

No provision of the Indenture shall be construed to relieve the Trustee from liability for its own negligence or willful misconduct, except that:

(a) prior to an Event of Default under the Indenture, and after the curing or waiver of all such Events of Default which may have occurred:

(i) the duties and obligations of the Trustee shall be determined solely by the express provisions of the Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Indenture; and

(ii) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions

expressed therein, upon any certificate or opinion furnished to the Trustee by the Person or Persons authorized to furnish the same;

(b) at all times, regardless of whether or not any such Event of Default shall exist:

(i) the Trustee shall not be liable for any error of judgment made in good faith by an officer or employee of the Trustee; and

(ii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Credit Facility Provider or the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding (or such lesser or greater percentage as is specifically required or permitted by the Indenture) relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

There shall at all times be a Trustee under the Indenture which shall be a bank with trust powers or a corporation organized and doing business under the laws of the United States or any state thereof, authorized under such laws to exercise corporate trust powers. Any successor Trustee shall have a combined capital and surplus of at least \$50,000,000 (or shall be a wholly-owned subsidiary of an association or corporation that has such combined capital and surplus), and be subject to supervision or examination by federal or state authority, or shall have been appointed by a court of competent jurisdiction pursuant to the Indenture.

The Trustee may at any time resign by giving written notice to the Issuer, the Borrower, the Tender Agent, the Remarketing Agent and the Credit Facility Provider, and by giving notice by certified mail or overnight delivery service to each Holder of the Bonds then Outstanding. The resignation of the Trustee shall not be effective until a successor Trustee has been appointed and such successor Trustee shall have agreed in writing to be bound by the duties and obligations of the Trustee under the Intercreditor Agreement.

The Trustee may be removed at any time, either with or without cause, with the consent of the Credit Facility Provider (which consent of the Credit Facility Provider shall not be unreasonably withheld), by a written instrument signed by the Issuer and delivered to the Trustee, the Borrower, the Tender Agent and the Remarketing Agent, and if an Event of Default shall have occurred and be continuing, other than an Event of Default described in paragraph (b) under the heading "Events of Default; Acceleration; Remedies" above, by a written instrument signed by the Credit Facility Provider and delivered to the Trustee, the Issuer, the Borrower, the Tender Agent and the Remarketing Agent. The Trustee may also be removed, if an Event of Default described in paragraph (b) under the heading "Events of Default; Acceleration; Remedies" above shall have occurred and be continuing, by a written instrument or concurrent instruments signed by the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding and delivered to the Trustee, the Issuer, the Borrower, the Tender Agent, the Remarketing Agent and the Credit Facility Provider. The Trustee may also be removed by the Credit Facility Provider following notice to the Issuer and after a 30-day period during which the Issuer may attempt to cause the Trustee to discharge its duties in a manner acceptable to the Credit Facility Provider, and in each case written notice of such removal shall be given to the Servicer, the Borrower, the Remarketing Agent and to each Registered Owner of the Bonds then Outstanding as shown on the Bond Register. Any such removal shall take effect on the day specified in such written instrument(s), but the Trustee shall not be discharged until a successor Trustee has been appointed and has accepted such appointment and has agreed in writing to be bound by the duties and obligations of the Trustee under the Intercreditor Agreement.

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

Satisfaction and Discharge of Indenture

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

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

(b) by (i) the deposit or credit to the account of the Trustee, in trust, of money or securities in the necessary amount (as provided in the Indenture) to pay the principal, redemption price or Purchase Price and interest to the date established for purchase or redemption (calculated at the Maximum Rate to the extent the Bonds then bear interest at a Variable Rate for any period for which the Variable Rate on such Bonds has not yet been established) whether by redemption, purchase or otherwise, (ii) if the Bonds then bear interest at the Variable Rate, the delivery to the Trustee of a written confirmation by the Rating Agency of the rating then existing on the Bonds as of the date of such deposit or credit; and (iii) receipt by the Issuer and the Trustee of an opinion of Bond Counsel to the effect that such deposit will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes; or

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

and shall have paid all amounts due and owing to the Credit Facility Provider under the Indenture, the Credit Facility and the Reimbursement Agreement, including but not limited to the Freddie Mac Reimbursement Amount and the Freddie Mac Credit Enhancement Fee, and shall have paid all fees and expenses of, and other amounts owing to, the Trustee, the Servicer, the Tender Agent, the Remarketing Agent and each Paying Agent, and if the Issuer shall keep, perform and observe all and singular the covenants and promises in the Bonds and in the Indenture expressed as to be kept, performed and observed by it or on its part, then the lien of the Indenture shall be canceled and discharged.

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

(d) the Trustee shall have received an opinion of nationally recognized bankruptcy counsel, if required by subpart (e) of the definition of “Eligible Funds” herein, to the effect that such money constitutes Eligible Funds.

The Trustee shall in no event cause the Bonds to be optionally redeemed from money deposited as described under this heading unless the requirements of the Indenture relating to redemption of the Bonds have been met with respect to such redemption.

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

Notwithstanding any provisions of the Indenture and except as may be required by applicable State law, any money deposited with the Trustee or any paying agent in trust for the payment of the principal of, or interest or premium on, any Bonds remaining unclaimed for two years after the principal of all the outstanding Bonds, or any interest thereon, has become due and payable (whether at maturity or upon call for redemption or by declaration as provided in the Indenture), shall then be paid to the Issuer, and the Holders of such Bonds shall thereafter be entitled to look only to the Issuer for payment thereof, and only to the extent of the amount so paid to the Issuer, and all liability of the Trustee or any paying agent with respect to such money shall thereupon cease. In the event of the payment of any such money to the Issuer as aforesaid, the Holders of the Bonds in respect of which such money were deposited shall thereafter be deemed to be unsecured creditors of the Issuer for amounts equivalent to the respective amounts so paid to the Issuer and deposited for the payment of such Bonds (without interest to such holders thereon). In the absence of any such written request, the Trustee shall from time to time deliver such unclaimed funds to or as directed by pertinent escheat authority, as identified by the Trustee in its sole discretion, pursuant to and in accordance with applicable unclaimed property laws, rules or regulations. Any such delivery shall be in accordance with the customary practices and procedures of the Trustee and the escheat authority. All moneys held by the Trustee and subject to the provisions of the Indenture described under this heading shall be held uninvested and without liability for interest thereon. Before making any payment described under this heading, the Trustee shall be entitled to receive at the Borrower’s expense an opinion of counsel to the effect that said payment is permitted under applicable law.

Whenever in the Indenture it is provided or permitted that there be deposited with or credited to the account of or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held shall be Eligible Funds (or Government Obligations purchased with Eligible Funds) constituting:

- (a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which there shall have been furnished to the Trustee proof satisfactory to it that notice of such redemption on a specified redemption date has been duly given or provision satisfactory to the Trustee shall be made for such notice, the amount so to be deposited or held shall be the principal amount of such Bonds and interest thereon to the redemption date, together with the redemption premium, if any; or

(b) noncallable and nonprepayable direct obligations of the United States of America or noncallable and nonprepayable obligations which as to principal and interest constitute full faith and credit obligations of the United States of America, in such amounts and maturing at such times that the proceeds of said obligations received upon their respective maturities and interest payment dates, without further reinvestment, will provide funds sufficient, in the opinion of a nationally recognized firm of certified public accountants, to pay the principal, premium, if any, and interest to maturity, or to the redemption date, as the case may be, with respect to all of the Bonds to be paid or redeemed, as such principal, premium and interest become due; provided that the Trustee shall have been irrevocably instructed by the Issuer to apply the proceeds of said obligations to the payment of said principal, premium, if any, and interest with respect to such Bonds.

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT

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

Terms of the Bond Mortgage Loan; Assignment

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

The Servicer shall service the Bond Mortgage Loan pursuant to the Commitment and the Guide. The Issuer, the Trustee and the Borrower have acknowledged and agreed that (i) selection or removal of any Servicer is in the sole and absolute discretion of the Credit Facility Provider; (ii) neither the Issuer nor the Trustee shall terminate or attempt to terminate any Servicer as the servicer for the Bond Mortgage Loan or appoint or attempt to appoint a substitute servicer for the Bond Mortgage Loan; (iii) the Commitment and the Guide are both subject to amendment without the consent of the Trustee, the Issuer or the Borrower; and (iv) none of the Trustee, the Issuer or the Borrower shall have any rights under, or be a third party beneficiary of, the Guide. The Servicer shall have the right to collect all payments made by the Borrower in connection with the Bond Mortgage Loan and to receive copies of all reports and notices provided for by the Bond Financing Documents.

Bond Mortgage Loan Payments; Independent Obligation of Borrower

The Borrower has agreed to repay the Bond Mortgage Loan at the times and in the amounts necessary to enable the Trustee, on behalf of the Issuer, to pay all amounts payable with respect to the Bonds, when due, whether at maturity or upon redemption (with premium, if applicable), acceleration, tender, purchase or otherwise. If the Borrower purchases or otherwise acquires an interest rate hedge with respect to the Bonds which is an interest rate swap whereby the Borrower's obligations thereunder are to make fixed rate payments and the obligations of the counterparty are to pay floating rate payments, the Borrower shall remain liable to make all payments necessary under the Financing Agreement to repay the Bond Mortgage Loan notwithstanding the payment by the Borrower of the fixed rate payments thereunder. The obligation of the Borrower to make the payments set forth in the Financing Agreement shall be an independent and separate obligation of the Borrower from its obligation to make payments under the Bond Mortgage Note, provided that in all events payments made by the Borrower under and

pursuant to the Bond Mortgage Note shall be credited against the Borrower's obligations under the Financing Agreement on a dollar for dollar basis. If for any reason the Bond Mortgage Note or any provision of the Bond Mortgage Note shall be held invalid or unenforceable against the Borrower by any court of competent jurisdiction, the Bond Mortgage Note or such provision of the Bond Mortgage Note shall be deemed to be the obligation of the Borrower pursuant to the Financing Agreement to the full extent permitted by law and such holding shall not invalidate or render unenforceable any of the provisions of the Financing Agreement and shall not serve to discharge any of the Borrower's payment obligations under the Financing Agreement or eliminate the credit against such obligations to the extent of payments made under the Bond Mortgage Note.

The obligations of the Borrower to repay the Bond Mortgage Loan, to perform all of its obligations under the Bond Mortgage Loan Documents, to provide indemnification pursuant to the Financing Agreement, to pay costs, expenses and charges pursuant to the Financing Agreement and to make any and all other payments required by the Financing Agreement, the Indenture or any other documents contemplated by the Financing Agreement or by the Bond Mortgage Loan Documents shall, subject to the limitations set forth in the Financing Agreement, be absolute and unconditional and shall not be subject to diminution by setoff, recoupment, counterclaim, abatement or otherwise.

The obligations of the Borrower are non-recourse (see "Obligations of Borrower Are Non-Recourse" below); provided, however, that the following obligations of the Borrower shall be and remain the joint and several full recourse obligations of the Borrower (but subject to the provisions of the Financing Agreement and the Intercreditor Agreement), the following obligations of the Borrower shall be and remain the joint and several full recourse obligations of the Borrower and each of the Borrower's general partners, payable from and enforceable against any and all income, assets and properties of the Borrower and each of its general partners: (i) the Borrower's obligations to the Issuer and the Trustee relating to fees and expenses; (ii) the Borrower's indemnification obligations under the Financing Agreement; (iii) the Borrower's obligation to pay any and all rebate amounts that may be or become owing with respect to the Bonds as provided in the Financing Agreement and the Tax Certificate; and (iv) the Borrower's obligation to pay legal fees and such expenses under the Financing Agreement.

Payment of Certain Fees and Expenses Under the Bond Mortgage Note

In addition to the payments described under the heading "Bond Mortgage Loan Payments; Independent Obligation of Borrower" above, payments to be made by the Borrower under the Bond Mortgage Note include certain money to be paid in respect of, among others, the Bond Fee Component, the Ordinary Servicing Fees and Expenses, the Counterparty in connection with any Hedge Agreement, the Freddie Mac Credit Enhancement Fee, the Principal Reserve Schedule payments pursuant to the Financing Agreement and amounts required to be deposited in a Custodial Escrow Account pursuant to the Bond Mortgage Loan Documents, as provided in the Financing Agreement. To the extent that any portion of the Bond Fee Component, the Ordinary Servicing Fees and Expenses, the fixed rate payment to the Counterparty person to the Hedge Agreement if the Hedge is an interest rate swap, the Remarketing Agent's Fee, the Freddie Mac Credit Enhancement Fee, the Principal Reserve Schedule payments pursuant to the Financing Agreement and amounts required to be deposited in a Custodial Escrow Account remain due and owing at any time, such amounts remaining due and owing shall be payable from money on deposit in the Administration Fund as provided in the Indenture or from other money of the Borrower, to the extent that money in the Administration Fund is insufficient for such purposes. All other fees and expenses shall be payable from money of the Borrower as provided in the Financing Agreement.

Prepayment of the Bond Mortgage Loan

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

In connection with any prepayment, whether optional or mandatory, in addition to all other payments required under the Bond Mortgage Note, the Borrower shall pay, or cause to be paid to the Servicer or other party as directed by the Credit Facility Provider (or, if no Credit Facility is then in effect, to the Trustee), an amount sufficient to pay the redemption price of the Bonds to be redeemed, including principal, interest and premium (if any), such premium to be paid in Eligible Funds not consisting of funds drawn under the Credit Facility, and further including any interest to accrue with respect to the Bond Mortgage Loan and such Bonds between the prepayment date and the redemption date, together with a sum sufficient to pay all fees, costs and expenses in connection with such redemption and, in the case of redemption in whole, to pay all other amounts payable under the Financing Agreement, the Indenture and the Reimbursement Agreement. The Borrower shall provide notice of the prepayment to the Issuer, the Trustee, the Remarketing Agent, the Credit Facility Provider and the Servicer in writing 45 days, or such shorter time as is possible in the case of mandatory prepayments, prior to the date on which the Borrower will make the prepayment. Each such notice shall state, to the extent such information is available (a) the amount to be prepaid, (b) the date on which the prepayment will be made by the Borrower, and (c) the cause for the prepayment, if any.

Borrower's Obligations Upon Redemption or Tender

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

Tax Compliance

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

Events of Default and Remedies

Events of Default. The following shall be “Events of Default” under the Financing Agreement and the terms “Event of Default” shall mean, whenever they are used in the Financing Agreement, one or all of the following events:

(a) Any representation or warranty made by the Borrower in the Bond Financing Documents or any certificate, statement, data or information furnished by the Borrower in connection therewith or included by the Borrower in its application to the Issuer for assistance proves at any time to have been incorrect when made in any material respect;

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

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

(d) The occurrence of a default under the Reimbursement Agreement shall at the discretion of the Credit Facility Provider constitute an Event of Default under the Financing Agreement. The occurrence of an Event of Default shall in the discretion of the Credit Facility Provider constitute a default under the Bond Mortgage Loan Documents and the Reimbursement Agreement.

Nothing described under this heading is intended to amend or modify any of the provisions of the Bond Financing Documents or to bind the Issuer, the Trustee, the Servicer or the Credit Facility Provider to any notice and cure periods other than as expressly set forth in the Bond Financing Documents.

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

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

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

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

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

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

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

Obligations of Borrower Are Non-Recourse

Except as described in the Financing Agreement, the obligations of the Borrower under the Financing Agreement (other than the Borrower's indemnification obligations, obligations to pay fees and expenses under the Financing Agreement and to pay rebate to the federal government, if any) are non-recourse obligations of the Borrower to the same extent as provided in the Bond Mortgage Loan Documents. This limitation on the Borrower's liability shall not limit or impair the Lender's enforcement of its rights against any guarantor of the Indebtedness or any guarantor of any obligations of the Borrower.

SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT

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

Definitions

"Adjusted Income" means the adjusted income of a person (together with the adjusted income of all persons who intend to reside with such person in one residential unit) as calculated in the manner prescribed in Regulations Section 1.167(k)-3(b)(3) in effect as of the Delivery Date.

"Administrator" means any administrator or program monitor appointed by the Issuer to administer the Regulatory Agreement, and any successor administrator appointed by the Issuer, in each case pursuant to a certificate in substantially the form attached to the Regulatory Agreement. The initial Administrator shall be the Issuer or its designee.

“Area” means the San Diego Metropolitan Statistical Area.

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

“Certificate of Continuing Program Compliance” means the Certificate to be filed by the Borrower with the Administrator, on behalf of the Issuer, and the Trustee as described in paragraph (e) under the heading “Low Income Tenants; Reporting Requirements” below, which shall be substantially in the form attached to the Regulatory Agreement or in such other comparable form as may be provided by the Issuer to the Borrower.

“City” means the City of Oceanside, California.

“Housing Law” means Chapter 7 of Part 5 of Division 31 (commencing with Section 52075) of the California Health and Safety Code, as amended, or its successor.

“Income Certification” means a Verification of Income and an Occupancy Certificate in the form attached to the Regulatory Agreement or in such other comparable form as may be provided by the Issuer to the Borrower.

“Low Income Tenant” means any tenant whose Adjusted Income does not exceed limits determined in a manner consistent with determinations of low income families under Section 8 of the Act, provided that the percentage of median gross income that qualifies as low income under the Regulatory Agreement shall be sixty percent (60%) of median gross income for the Area, with adjustments for family size. If all the occupants of a unit are students (as defined under Section 151(e)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, such occupants shall not qualify as Low Income Tenants.

“Low Income Units” means the units in the Project required to be rented, or held available for occupancy by, Low Income Tenants as described in paragraph (a) under the heading “Low Income Tenants; Reporting Requirements” below.

“Qualified Project Period” means, subject to the provisions of the Regulatory Agreement described in paragraph (g) under the heading “Low Income Tenants; Reporting Requirements” below, the period beginning on the later of the Delivery Date or the first day on which at least 10% of the units in the Project are first occupied, and ending on the later of the following:

- (A) the date which is fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied;
- (B) the first date on which no Tax-Exempt private activity bonds with respect to the Project are Outstanding;
- (C) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates; or
- (D) such later date as described under the heading “Additional Requirements of the Issuer” below.

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

“*Rental Payment*” means the portion of a Low Income Tenant’s or Very Low Income Tenant’s monthly payment to Borrower attributable to rental for the Low Income Unit and does not include the portion of any monthly payment attributable to food, service, care and supervision.

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

“*Verification of Income*” means a Verification of Income in the form attached to the Regulatory Agreement or in such other comparable form as may be provided by the Issuer to the Borrower.

“*Very Low Income Tenant*” means any tenant whose Adjusted Income does not exceed limits determined in a manner consistent with determinations of low income families under Section 8 of the Act, provided that the percentage of median gross income that qualifies as low income under the Regulatory Agreement shall be fifty percent (50%) of median gross income for the Area, with adjustments for family size. If all the occupants of a unit are students (as defined under Section 151(e)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, such occupants shall not qualify as Very Low Income Tenants.

“*Very Low Income Units*” means the units in the Project required to be rented, or held available for occupancy by, Very Low Income Tenants as described in paragraph (a) under the heading “Additional Requirements of the Housing Law” below.

Qualified Residential Rental Project

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

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

(b) All of the dwelling units in the Project will be similarly constructed units, and each dwelling unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a microwave oven, refrigerator and sink.

(c) In accordance with the Code, none of the dwelling units in the Project will at any time be utilized on a transient basis or rented for a period of less than 31 consecutive days, or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park; provided that the use of

certain units for tenant guests on an intermittent basis shall not be considered transient use for purposes of the Regulatory Agreement.

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

(e) All of the dwelling units in the Project will be available for rental during the Qualified Project Period on a continuous basis to members of the general public, on a first-come, first-served basis, and the Borrower will not give preference to any particular class or group in renting the dwelling units in the Project, except to the extent that dwelling units are required to be leased or rented to Low Income Tenants. Notwithstanding the foregoing, it is the intent of the Borrower to rent dwelling units to senior citizens.

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

(g) No dwelling unit in the Project shall be occupied by the Borrower; provided, however, that if the Project contains five or more dwelling units, this provision shall not be construed to prohibit occupancy of not more than one dwelling unit by a resident manager or maintenance personnel any of whom may be the Borrower.

Low Income Tenants; Reporting Requirements

Pursuant to the requirements of the Code, the Borrower has represented, warranted and covenanted as follows:

(a) During the Qualified Project Period, not less than 90% of the completed units in the Project shall at all times be rented to, occupied by or made available to Low Income Tenants. For the purposes of this paragraph (a), 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, other than for a temporary period of not more than 31 days, at which time the character of such unit shall be redetermined.

(b) No tenant qualifying as a Low Income Tenant upon initial occupancy shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Adjusted Income increases to exceed the qualifying limit for Low Income Tenants. However, should a Low Income Tenant's Adjusted Income, as of the most recent determination thereof, exceed one hundred forty percent (140%) of the applicable income limit for a Low Income Tenant of the same family size, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) a Low Income Tenant. Until such next available unit is rented, the former Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a Low Income Tenant for purposes of the provisions of the Regulatory Agreement described in paragraph (a) above.

(c) For the Qualified Project Period, the Borrower will obtain, complete and maintain on file Income Certifications for each Low Income Tenant, including (i) an Income Certification dated immediately prior to the initial occupancy of such Low Income Tenant in the Project, and (ii) thereafter, an annual Income Certification with respect to each Low Income Tenant, as of December 1st of each year, but, as the first such certification for each tenant, no more than one year after the anniversary of such tenant's initial occupancy of a unit in the Project. The Borrower will provide such additional information as may be required in the future by the Code, the State or the Issuer, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to Tax-Exempt obligations. A copy of the most recent Income Certifications for Low Income Tenants commencing or continuing occupation of a Low Income Unit shall be attached to each report to be filed with the Issuer pursuant to paragraph (e) below.

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

(d) The Borrower will maintain complete and accurate records pertaining to the Low Income Units, and will permit, upon reasonable notice to Borrower during regular business hours, any duly authorized representative of the Issuer, the Trustee, the Credit Facility Provider, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project, including those records pertaining to the occupancy of the Low Income Units.

(e) The Borrower will prepare and submit to the Administrator, on behalf of the Issuer, monthly (commencing the tenth day of the full month following the Completion Date), up to and including the month in which 20% of the units are actually occupied by Low Income Tenants, and thereafter no later than the tenth day of the first month of each calendar quarter for the immediately preceding calendar quarter, until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance executed by the Borrower. During the Qualified Project Period, the Borrower shall submit a completed Internal Revenue Code Form 8703 or such other annual certification as required by the Code with respect to the Project, to the Secretary of the Treasury on or before March 31 of each year (or such other date as may be required by the Code).

(f) For the Qualified Project Period, all tenant leases or rental agreements shall be subordinate to the Regulatory Agreement and the Mortgage. All leases pertaining to Low Income Units shall contain clauses, among others, wherein each tenant who occupies a Low Income Unit: (i) certifies the accuracy of the statements made in the Verification of Income; (ii) agrees that the family income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy of such tenant, that such tenant will comply promptly with all requests for information with respect thereto from the Borrower, the Trustee, the Issuer, the Credit Facility Provider or the Administrator on behalf of the Issuer, and that the failure to provide accurate

information in the Verification of Income or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the tenancy of such tenant; (iii) acknowledges that the Borrower has relied on the Verification of Income and supporting information supplied by the Low Income Tenant in determining qualification for occupancy of the Low Income Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement; and (iv) agrees that the tenant's income is subject to annual certification in accordance with paragraph (c) above and that if upon any such certification such tenant's Adjusted Income exceeds the applicable income limit under paragraph (b) above, such tenant may cease to qualify as a Low Income Tenant.

(g) Notwithstanding the foregoing provisions of the Regulatory Agreement described in paragraph (a) above and in paragraph (a) under the heading "Additional Requirements of the Housing Law" below and in accordance with Internal Revenue Bulletin 2004-29 dated July 19, 2004, for a period of 12 months beginning on the Delivery Date (the "Transition Period") the failure to satisfy the provisions of the Regulatory Agreement described under this heading will not cause the Project to be in default with respect to the Regulatory Agreement. Upon the termination of the Transition Period and throughout the remaining term of the Qualified Project Period, the Project shall be in compliance with the provisions of the Regulatory Agreement described in paragraph (a) above and in paragraph (a) under the heading "Additional Requirements of the Housing Law" below.

Additional Requirements of the Housing Law

In addition to the requirements set forth above, the Borrower has agreed that it shall comply with each of the following requirements, including the requirements of Section 52080 of the Housing Law:

(a) Not less than 10% of the total number of units in the Project shall be available for occupancy on a priority basis to Very Low Income Tenants. The units made available to meet this requirement shall be of comparable quality and offer a range of sizes and numbers of bedrooms comparable to the units that are available to other tenants in the Project.

(b) The Rental Payments for the Low Income Units and the Very Low Income Units paid by the tenants thereof (excluding any supplemental rental assistance from the State, the federal government or any other public agency to those tenants or on behalf of those units) shall not exceed 30% of an amount equal to 50% of the median adjusted gross income for the Area adjusted for family size for the Very-Low Income Units and 30% of an amount equal to 60% of the media adjusted gross income for the Area adjusted for family size for Low Income Units.

(c) The Borrower shall accept as tenants, on the same basis as all other prospective tenants, low-income persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the Act. The Borrower shall not permit any selection criteria to be applied to Section 8 certificate or voucher holders that is more burdensome than the criteria applied to all other prospective tenants.

(d) The units reserved for occupancy as required by paragraph (a) above shall remain available on a priority basis for occupancy at all times on and after the Delivery Date and continuing through the Qualified Project Period.

(e) During the three (3) years prior to the expiration of the Qualified Project Period, the Borrower shall continue to make available to eligible households Low Income Units that have

been vacated to the same extent that nonreserved units are made available to noneligible households.

(f) Following the expiration or termination of the Qualified Project Period, except in the event of foreclosure and redemption of the Bonds, deed in lieu of foreclosure, eminent domain, or action of a federal agency preventing enforcement, units reserved for occupancy as required by paragraph (a) above shall remain available to any eligible tenant occupying a reserved unit at the date of such expiration or termination, at the rent determined as described in paragraph (b) above, until the earliest of (1) the household's income exceeds 140% of the maximum eligible income specified above, (2) the household voluntarily moves or is evicted for good cause (as defined in the Act), (3) 30 years after the date of the commencement of the Qualified Project Period, or (4) the Borrower pays the relocation assistance and benefits to households as provided in Section 7264(b) of the California Government Code.

(g) The covenants and conditions of the Regulatory Agreement shall be binding upon successors in interest of the Borrower.

(h) The Regulatory Agreement shall be recorded in the office of the county recorder of the County of San Diego, California, and shall be recorded in the grantor-grantee index to the names of the Borrower as grantor and to the name of the Issuer as grantee.

Additional Requirements of the Issuer

In addition to the requirements set forth above and to the extent not prohibited thereby, the Borrower has agreed to comply with each of the requirements of the Issuer described under this heading, as follows:

(a) Except if waived in writing by CDLAC and the Issuer or otherwise to the extent described in the second paragraph under the heading "Term" below, the Regulatory Agreement shall terminate on the date fifty-five years after the Delivery Date.

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

(c) The Borrower acknowledges that the Issuer has appointed the Administrator to administer the Regulatory Agreement and to monitor performance by the Borrower of the terms, provisions and requirements of the Regulatory Agreement. In such an event the Borrower shall comply with any reasonable request made by the Administrator or the Issuer to deliver to any such Administrator, in addition to or instead of the Issuer, any reports, notices or other documents required to be delivered pursuant to the Regulatory Agreement, and to make the Project and the books and records with respect thereto available for inspection by the Administrator as an agent of the Issuer during regular business hours and upon reasonable advance notice. In the event the Issuer shall not appoint an Administrator other than the Issuer, all references to the Administrator in the Regulatory Agreement shall be deemed to refer to the Issuer. The reasonable fees and expenses of the Administrator shall be paid by the Borrower.

(d) For purposes of the provisions of the Regulatory Agreement described in paragraph (b) under the heading “Additional Requirements of the Housing Law” above, the base rents shall be adjusted for household size, to the extent permitted by law, and in making such adjustments it shall be assumed that one person will occupy a studio unit, two persons will occupy a one bedroom unit, three persons will occupy a two bedroom unit, four persons will occupy a three bedroom unit and five persons will occupy a four bedroom unit.

(e) The Borrower shall comply with the conditions set forth in the CDLAC Resolution adopted with respect to the issuance of the Bonds (the “CDLAC Conditions”), as they may be modified or amended from time to time, which conditions are incorporated in the Regulatory Agreement by reference and attached to the Regulatory Agreement. The CDLAC Conditions include, but are not limited to, a condition that _____. The CDLAC Conditions remain in effect for a period of ____ years. The Borrower will prepare and submit to CDLAC, not later than each anniversary of the Delivery Date, until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance, in substantially the form attached to the CDLAC Conditions, executed by an authorized representative of the Borrower. The Issuer and the Administrator shall have no obligation to monitor the Borrower’s compliance with the CDLAC Conditions.

(f) The Borrower shall provide the Issuer copies of all disclosure reports with respect to the Bonds and all rebate calculations required to be made under the Financing Agreement or the Indenture.

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

Sale or Transfer of the Project

For the Qualified Project Period, the Borrower shall not, except as provided in the Mortgage and as set forth below, sell, transfer or otherwise dispose of the Project, in whole or in part, without the prior written consent of the Issuer, which consent shall not be unreasonably withheld, conditioned or delayed if the following conditions are satisfied: (A) the receipt by the Issuer of evidence acceptable to the Issuer that (1) the Borrower shall not be in default under the Regulatory Agreement or under the Financing Agreement, if in effect (which may be evidenced by a Certificate of Continuing Program Compliance), or the purchaser or assignee undertakes to cure any defaults of the Borrower to the reasonable satisfaction of the Issuer; (2) the continued operation of the Project shall comply with the provisions of the Regulatory Agreement; (3) either (a) the purchaser or assignee or its property manager has at least three years’ experience in the ownership, operation and management of similar size rental housing projects, and at least one year’s experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects, or (b) the purchaser or assignee agrees to retain a property management firm with the

experience and record described in subclause (a) above, or (c) the transferring Borrower or its management company will continue to manage the Project for at least one year following such transfer and during such period will provide training to the transferee and its manager in the responsibilities relating to the Low Income Units; and (4) the person or entity which is to acquire the Project does not have pending against it, and does not have a history of significant and material building code violations or complaints concerning the maintenance, upkeep, operation, and regulatory agreement compliance of any of its projects as identified by any local, state or federal regulatory agencies; (B) the execution by the purchaser or assignee of any document reasonably requested by the Issuer or the Trustee with respect to the assumption of the Borrower's obligations under the Regulatory Agreement and the Financing Agreement (if then in effect), including without limitation an instrument of assumption of the Regulatory Agreement and thereof, and delivery to the Issuer of an opinion of such purchaser or assignee's counsel to the effect that each such document and the Regulatory Agreement are valid, binding and enforceable obligations of such purchaser or assignee, subject to bankruptcy and other standard limitations affecting creditor's rights; (C) receipt by the Issuer of an opinion of Bond Counsel addressed to the Issuer to the effect that any such sale, transfer or other disposition will not adversely affect the Tax-Exempt status of interest on the Bonds; and (D) receipt by the Issuer and Trustee of all fees and/or expenses then currently due and payable to the Issuer and Trustee by the Borrower. The foregoing notwithstanding, the Project may be transferred to (y) a wholly-owned subsidiary or related entity of the Borrower (with an opinion of Bond Counsel to the effect that such transfer would not impair the tax-exempt status of the Bonds) or (z) Credit Facility Provider or Trustee pursuant to a foreclosure, deed in lieu of foreclosure or comparable conversion under the Bond Mortgage or the deed of trust that secures the obligations of the Borrower to the Credit Facility Provider under the Reimbursement Agreement (collectively, the "Permitted Mortgages"), in each case, without the consent of the Issuer. It is has been expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of the provisions of the Regulatory Agreement described under this heading shall be null, void and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under the Regulatory Agreement. The written consent of the Issuer to any transfer of the Project shall constitute conclusive evidence that the transfer is not in violation of the provisions of the Regulatory Agreement described under this heading. Nothing described under this heading shall affect any provision of any other document or instrument between the Borrower and any other party requires the Borrower to satisfy certain conditions or obtain the prior written consent of such other party in order to sell, transfer or otherwise dispose of the Project. Upon any sale or other transfer that complies with the Regulatory Agreement, the Borrower shall be fully released from its obligations under the Regulatory Agreement to the extent such obligations have been fully assumed in writing by the transferee of the Project.

For the Qualified Project Period, the Borrower shall not: (1) encumber any of the Project or grant commercial leases of any part thereof, or permit the conveyance, transfer or encumbrance of any part of the Project, except pursuant or subordinate to the provisions of the Regulatory Agreement and the Permitted Mortgages (and upon receipt by the Borrower of an opinion of Bond Counsel that such action will not adversely affect the Tax-Exempt status of interest on the Bonds; provided that such opinion will not be required with respect to any encumbrance, lease or transfer relating to a commercial operation or ancillary facility that will be available for tenant use and is customary to the operation of multifamily housing developments similar to the Project), or except upon a sale, transfer or other disposition of the Project in accordance with the terms of the Regulatory Agreement; (2) demolish any part of the Project or substantially subtract from any real or personal property of the Project, except to the extent that what is demolished or removed is replaced with comparable property; or (3) permit the use of the dwelling accommodations of the Project for any purpose except rental residences.

Notwithstanding anything described under this heading to the contrary, the Borrower shall have the right to enter into management agreements or operating leases with respect to the management and

operation of the Project; provided that the terms of such management contract or operating lease shall require operation of the Project in accordance with the provisions of the Regulatory Agreement.

Term

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

The terms of the Regulatory Agreement to the contrary notwithstanding, the Regulatory Agreement shall terminate 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 law or an action of a federal agency after the Delivery Date that prevents the Issuer and the Trustee from enforcing such provisions, or foreclosure or transfer of title by deed in lieu of foreclosure, condemnation or a similar event, but only if, within a reasonable period, either the Bonds are retired or amounts received as a consequence of such event are used to provide a project that meets the requirements of the Regulatory Agreement; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained in the Regulatory Agreement shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Borrower or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income tax purposes. The Borrower has agreed that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Borrower nor any such related person as described above will obtain an ownership interest in the Project for federal tax purposes. Notwithstanding any other provision of the Regulatory Agreement, the Regulatory Agreement may be terminated upon agreement by the Issuer, the Trustee and the Borrower upon receipt by the Issuer and the Trustee of an opinion of Bond Counsel to the effect that such termination will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. Upon the termination of the terms of the Regulatory Agreement, the parties to the Regulatory Agreement have agreed to execute, deliver and record appropriate instruments of release and discharge of the terms of the Regulatory Agreement; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of the Regulatory Agreement in accordance with its terms.

Default; Enforcement

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 notice thereof shall have been given by the Issuer or either Trustee to the Borrower, or for a period of 60 days from the date the Borrower should, with reasonable diligence, have discovered such default, then the Issuer or the Trustee (as directed by the Issuer, subject to the provisions of the Indenture) acting on their own behalf or on behalf of the Issuer, shall declare an "Event of Default" to have occurred under the Regulatory Agreement; provided, however, that if the default is of such a nature that it cannot be corrected within 60 days, such default shall not constitute an Event of Default under the Regulatory Agreement so long as (i) the Borrower institutes corrective action within said 60 days and diligently pursues such action until the default is corrected, and (ii) in the opinion of Bond Counsel, the failure to cure said default within 60 days will not adversely affect the Tax-Exempt status of interest on the Bonds. The Issuer and the Trustee shall have the right to enforce the obligations of the

Borrower under the Regulatory Agreement within shorter periods of time than are otherwise provided in the Regulatory Agreement if necessary to insure compliance with the Housing Law or the Code. Notwithstanding the provisions of the Regulatory Agreement described under this heading, any general or limited partner of the Borrower shall also have the right to cure any default within the 60 day period referenced under this heading.

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

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

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

(iii) require the Borrower to pay to the Issuer an amount equal to the excess rent or other amounts received by the Borrower for any units in the Project which were in violation of the Regulatory Agreement during the period such violation continued (which payment shall not reduce the amount nor affect any payment due under the Loan);

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

(v) subject to the Intercreditor Agreement and the Subordination Agreement, as applicable, declare a default under the Financing Agreement and proceed with any remedies provided therein.

The Borrower has agreed that specific enforcement of the Borrower's agreements contained in the Regulatory Agreement is the only means by which the Issuer may fully obtain the benefits of such Financing Agreement made by the Borrower in the Regulatory Agreement, and the Borrower therefore agrees to the imposition of the remedy of specific performance against it in the case of any Event of Default by the Borrower under the Regulatory Agreement.

The Trustee shall have the right, as described under this heading and the applicable provisions of the Indenture, without the consent or approval of the Issuer, to exercise any or all of the rights or remedies of the Issuer under the Regulatory Agreement; provided that prior to taking any such action the Trustee shall give the Issuer, the Bank and the Credit Facility Provider written notice of its intended action. After the Indenture has been discharged, the Issuer may act on its own behalf to declare an "Event of Default" to have occurred and to take any one or more of the steps specified in the Regulatory Agreement to the same extent and with the same effect as if taken by the Trustee.

Promptly upon determining that a violation of the Regulatory Agreement has occurred, the Issuer or the Trustee shall, by written notice, inform the Credit Facility Provider that such violation has occurred, the nature of the violation and that the violation has been cured or has not been cured, but is curable within a reasonable period of time, or is incurable. The Trustee shall not be deemed to have knowledge of any default under the Regulatory Agreement unless the Trustee shall have been specifically

notified in writing of such default by the Issuer, the Administrator or the Bondholders of at least 25% of the aggregate principal amount of the Bonds outstanding under either Indenture.

All reasonable fees, costs and expenses of the Trustee and the Issuer incurred in taking any action as described under this heading shall be the sole responsibility of the Borrower; provided, however, that in the event that any action arising under the Regulatory Agreement with the Borrower and the Trustee as adversaries, the prevailing party, if any, shall be entitled to recover legal fees and costs from the other party.

No breach of any provision of the Regulatory Agreement shall defeat, render invalid or otherwise affect the lien of a deed of trust, mortgage or like encumbrance on the Project that is given in good faith and for value.

Amendments; Waivers

Except as described in the Regulatory Agreement, the Regulatory Agreement may be amended only by a written instrument executed by the parties to the Regulatory Agreement or their successors in title, and duly recorded in the real property records of the County of San Diego, California, and only upon receipt by the Issuer of (i) an opinion from Bond Counsel that such amendment will not adversely affect the Tax-Exempt status of interest on the Bonds and is not contrary to the provisions of the Act, (ii) the written consent of the Credit Facility Provider.

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

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

Third-Party Beneficiary

There shall be no third party beneficiaries to the Regulatory Agreement other than the Credit Facility Provider and CDLAC. The Credit Facility Provider and CDLAC are intended to be and shall each be a third-party beneficiary of the Regulatory Agreement. The City shall have the right (but not the obligation) to enforce, separately or jointly with the Issuer and/or the Trustee or to cause the Issuer or the Trustee to enforce, the provisions of the Regulatory Agreement described in paragraph (b) under the heading "Additional Requirements of the Housing Law" above and paragraphs (e), (f) and (g) under the heading "Additional Requirements of the Issuer" above and to pursue an action for specific performance or other available remedy at law or in equity as described under the heading "Default; Enforcement" above; and CDLAC shall have the right (but not the obligation) to enforce the CDLAC Conditions and to pursue an action for specific performance or other available remedy at law or in equity as described under the heading "Default; Enforcement" above; provided that any such action by the City or CDLAC or remedy shall not materially adversely affect the interests and rights of the Bondholders.

Freddie Mac Rider

During any period that Freddie Mac is the Credit Facility Provider for the Bonds, the Freddie Mac Rider attached to the Regulatory Agreement (the “Rider”) and made a part of the Regulatory Agreement by reference to the Regulatory Agreement, shall be in full force and effect. The provisions of the Rider shall amend and supplement the provisions of, and in the event of a conflict shall supersede the conflicting provisions of, the Regulatory Agreement.

Sale or Transfer. Restrictions set forth in the Regulatory Agreement on sale or transfer of the Project or of any interest in the Borrower, Issuer and/or Trustee consents, transferee agreements, transferee criteria and requirements, opinion requirements, assumption fees, transfer fees, penalties and the like shall not apply to any transfer of title to the Project to Freddie Mac or to a third party by foreclosure, deed in lieu of foreclosure or comparable conversion of the Bond Mortgage Loan or to any subsequent transfer by Freddie Mac following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Bond Mortgage Loan. No transfer of the Project shall operate to release the Borrower from its obligations under the Regulatory Agreement. Nothing contained in the Regulatory Agreement shall affect any provision of the Bond Mortgage or any of the other Bond Mortgage Loan Documents which requires the Borrower to obtain the consent of Freddie Mac as a precondition to sale, transfer or other disposition of, or any direct or indirect interest in, the Project or of any direct or indirect interest in the Borrower, excluding transfers permitted by the Bond Mortgage. No covenant obligating the Borrower to obtain an agreement from any transferee to abide by all requirements and restrictions of the Regulatory Agreement shall have any applicability to a transfer to Freddie Mac upon foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Bond Mortgage Loan by Freddie Mac, or to any subsequent transfer by Freddie Mac following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Bond Mortgage Loan. Any written consent to a sale or transfer obtained from the Issuer must be deemed to constitute conclusive evidence that the sale or transfer is not a violation of the transfer provisions.

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

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

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

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

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

The foregoing prohibitions and limitations are not intended to limit the rights of the Issuer or the Trustee to specifically enforce the Regulatory Agreement or to seek injunctive relief in order to provide for the operation of the Project in accordance with the requirements of the Internal Revenue Code and state law. Accordingly, upon any default by the Borrower, the Issuer or the Trustee may seek specific performance of the Regulatory Agreement or enjoin acts which may be in violation of the Regulatory Agreement or unlawful, but neither the Issuer nor the Trustee may seek any form of monetary recovery from the Borrower, although the Issuer may seek to enforce a claim for indemnification, provided that no obligation of the Borrower under the Regulatory Agreement, including, without limitation, any indemnification obligation, any other obligation for the payment of money, any claim and any judgment for monetary damages against the Borrower, occasioned by breach or alleged breach by the Borrower of its obligations under the Regulatory Agreement or otherwise, shall be secured by or in any manner constitute a lien on, or security interest in, the Project, whether in favor of the Issuer, the Trustee or any other person, and all such obligations shall be, and by the Rider are, subordinate in priority, in right to payment and in all other respects to the obligations, liens, rights (including without limitation the right to payment) and interests arising or created under the Bond Mortgage Loan Documents. Accordingly, neither the Issuer nor the Trustee shall have the right to enforce any monetary obligation other than directly against the Borrower, without recourse to the Project. In addition, any such enforcement must not cause the Borrower to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Borrower under any applicable liquidation, insolvency, bankruptcy, rehabilitation, composition, reorganization, conservation or other similar law in effect now or in the future.

The obligations of any owner under the Regulatory Agreement shall be personal to the person who was the owner at the time that an event, including, without limitation, any default or breach of the Regulatory Agreement, occurred or was alleged to have occurred, and such person shall remain liable for any and all such obligations, including damages occasioned by a default or breach, even after such person ceases to be the owner of the Project. Accordingly, no subsequent owner of the Project shall be liable or obligated for the obligation of any prior owner (including the Borrower), including, but not limited to, any obligation for payment, indemnification or damages, for default or breach of the Regulatory Agreement or otherwise. The owner of the Project at the time the obligation was incurred, including any obligation arising out of a default or breach of the Regulatory Agreement, shall remain liable for any and all payments and damages occasioned by the owner even after such person ceases to be the owner of the Project, and no person seeking such payments or damages shall have recourse against the Project.

Under no circumstances shall the Issuer or the Trustee:

- (i) initiate or take any action which may have the effect, directly or indirectly, of impairing the ability of the Borrower to timely pay the principal of, interest on, or other amounts due and payable under, the Bond Mortgage Loan;
- (ii) interfere with or attempt to influence the exercise by Freddie Mac of any of its rights under the Bond Mortgage Loan, including, without limitation, Freddie Mac's remedial rights under the Bond Mortgage Loan Documents upon the occurrence of an event of default by the Borrower under the Bond Mortgage Loan; or
- (iii) upon the occurrence of an event of default under the Bond Mortgage Loan, take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Bond Mortgage Loan.

Amendments. The Regulatory Agreement shall not be amended without the prior written consent of Freddie Mac.

Subordination. The terms, covenants and restrictions of the Regulatory Agreement, other than those described under the headings “Qualified Residential Rental Project, “Low Income Tenants; Reporting Requirements, “Additional Requirements of the Housing Law” and “Additional Requirements of the Issuer” above, are and shall at all times remain subject and subordinate, in all respects, to the liens, rights and interests created under the Bond Mortgage Loan Documents.

Third-Party Beneficiary. The parties to the Regulatory Agreement recognize and agree that the terms of the Regulatory Agreement and the enforcement of those terms are essential to the security of Freddie Mac and are entered into for the benefit of various parties, including Freddie Mac. Freddie Mac shall accordingly have contractual rights in the Regulatory Agreement and shall be entitled (but not obligated) to enforce, separately or jointly with the Issuer and/or the Trustee, or to cause the Issuer or the Trustee to enforce, the terms of the Regulatory Agreement. In addition, Freddie Mac is intended to be and shall be a third-party beneficiary of the Regulatory Agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

The following is a 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.

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

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

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

- (a) the Borrower shall fail to pay when due any amount payable by the Borrower under the Reimbursement Agreement, including, without limitation, any fees, costs or expenses;
- (b) the Borrower shall fail to deliver a Subsequent Hedge, fail to provide notice or satisfactory evidence required in the Reimbursement Agreement related to Subsequent Hedges or to provide an executed counterpart of a Subsequent Hedge when required by the Reimbursement Agreement;
- (c) the Borrower shall fail to observe or perform any other term, covenant, condition or agreement set forth in the Reimbursement Agreement, which failure continues for a period of 30 days after notice of such failure by Freddie Mac to the Borrower (unless such default cannot with due diligence be cured within 30 days but can be cured within a reasonable period and will not, in Freddie Mac’s sole discretion, adversely affect Freddie Mac or result in impairment of the Reimbursement Agreement, the Bond Mortgage, the Reimbursement Mortgage or any other Reimbursement Security Document, in which case no Event of Default shall be deemed to exist so long as Borrower shall have commenced to cure the default or Event of Default within 30 days after receipt of notice, and thereafter diligently and continuously prosecutes such cure to completion); provided, however, no such notice or grace periods shall apply in the case of any

such failure which could, in Freddie Mac's judgment, absent immediate exercise by Freddie Mac of a right or remedy under the Reimbursement Agreement, result in harm to Freddie Mac, impairment of the Reimbursement Agreement, the Bond Mortgage, the Reimbursement Mortgage or any other Reimbursement Security Document;

(d) the Borrower shall fail to observe or perform any other term, covenant, condition or agreement set forth in any of the other Borrower Documents or there shall otherwise occur an "Event of Default" under the Reimbursement Mortgage or an event of default under any of the other Borrower Documents (taking into account any applicable cure period);

(e) any representation or warranty made by or on behalf of the Borrower in this Agreement, in any other Borrower Document or in any certificate delivered by the Borrower to Freddie Mac or to the Servicer pursuant to the Reimbursement Agreement or any other Borrower Document shall be inaccurate or incorrect in any material respect when made or deemed made;

(f) Freddie Mac shall have given the Borrower written notice that Purchased Bonds have not been remarketed as of the ninetieth (90th) day following purchase by the Trustee on behalf of the Borrower and the Borrower has not reimbursed Freddie Mac for the applicable Liquidity Advance or Liquidity Withdrawal and Liquidity Use Fee or has not paid in full all fees and other amounts due to Freddie Mac under the Reimbursement Agreement;

(g) a Reset Period expires and the Borrower has not either (a) received the prior written consent of Freddie Mac to a change in interest mode or the maintenance of the existing mode or (b) delivered an Alternate Credit Facility in accordance with the terms of the Bond Documents;

(h) the Borrower fails to pay the Required Principal Paydown in accordance with the Reimbursement Agreement or shall fail to provide redemption directions to the Trustee if so directed by Freddie Mac;

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

(j) the Borrower shall fail to satisfy the conditions to Loan Conversion set forth in the Commitment and the Rehabilitation Escrow Agreement by the date set forth in the Reimbursement Agreement.

Upon an event of default, Freddie Mac may declare all the obligations of the Borrower under the Reimbursement Agreement to be immediately due and payable, in which case all such obligations shall become due and payable, without presentment, demand, protest or notice of any kind, including notice of default, notice of intent to accelerate or notice of acceleration. In addition to the foregoing, Freddie Mac may take any other action at law or equity, without notice or demand, as it deems advisable to protect and enforce its rights against the Borrower in and to the Projects, including, but not limited to the following actions: demand cash collateral or Qualified Investments in the full amount of the obligations under the Bonds whether or not then due and payable by Freddie Mac under the Credit Enhancement Agreement; give written notice to the Trustee stating that an event of default has occurred and is continuing hereunder and directing the Trustee to cause the mandatory redemption (or purchase in lieu) of the Bonds; exercise any rights and remedies available to Freddie Mac under any of the Borrower Documents; or exercise the rights of a secured creditor under the California Uniform Commercial Code

Freddie Mac shall have the right, to be exercised in its discretion, to waive any event of default under the Reimbursement Agreement. Unless such waiver expressly provides to the contrary, any waiver so granted shall extend only to the specific event or occurrence and not to any other similar event or occurrence which occurs subsequent to the date of such waiver.

THE OBLIGATIONS OF THE BORROWER UNDER THE REIMBURSEMENT AGREEMENT WILL BE SECURED BY THE REIMBURSEMENT MORTGAGE. THE REIMBURSEMENT MORTGAGE WILL BE SUBORDINATE TO THE BOND MORTGAGE, SUBJECT TO THE TERMS OF THE INTERCREDITOR AGREEMENT. BONDHOLDERS WILL HAVE NO RIGHTS UNDER AND ARE NOT THIRD-PARTY BENEFICIARIES UNDER THE REIMBURSEMENT MORTGAGE.

SUMMARY OF CERTAIN PROVISIONS OF THE INTERCREDITOR AGREEMENT

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

The Issuer, the Trustee and Freddie Mac have agreed upon their respective rights arising from an Event of Default under any Bond Financing Document in the Intercreditor Agreement.

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

NO CONTINUING DISCLOSURE

So long as the Bonds bear interest at the Variable Rate or do not otherwise become subject to the Rule (as defined below), the Bonds are exempt from continuing disclosure pursuant to Rule 15c2-12 promulgated and amended by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"). In the event of conversion of the Bonds to a Reset Rate, conversion to the Fixed Rate, or the Bonds otherwise becoming subject to the Rule, the Borrower has agreed to execute and deliver to the Trustee a Continuing Disclosure Agreement upon the date of such conversion.

TAX MATTERS

[In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes except during any period while a Bond is held by a "substantial user" of the facilities financed by the Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986 (the "Code").

Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and such interest is not taken into account in

determining certain income and earnings for the purpose of computing the federal alternative minimum tax imposed on corporations.

The opinions set forth in the preceding paragraph are subject to the condition that the Issuer and the Borrower comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer and the Borrower have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

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

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

UNDERWRITING

Stone & Youngberg LLC (the “Underwriter”), have entered into a Bond Purchase Agreement to purchase the Bonds at the price shown on the cover page hereof. As consideration for its underwriting of the Bonds, the Underwriter will be paid an aggregate fee on the Delivery Date in an amount equal to _____% of the principal amount of the Bonds plus an amount required to reimburse the Underwriter for payment of certain expenses. The Underwriter has committed to purchase all of the Bonds if any of such Bonds are purchased. The Bonds are being offered for sale at the price set forth on the cover page of this Official Statement, which price may be lowered by the Underwriter from time to time without notice. The Bonds may be offered and sold to dealers, including the Underwriter and dealers acquiring Bonds for their own account or any account managed by them, at prices lower than the public offering prices.

RATINGS

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

CERTAIN LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approving opinion of Best Best & Krieger LLP, Riverside, California, as Bond Counsel, which will be furnished at the expense of the Borrower upon delivery of the Bonds. Certain legal matters will be passed upon for the Borrower by its counsel, Chernove & Associates, Inc., Encino, California, for Freddie Mac by its Legal Department and by its special counsel, Kutak Rock LLP, and for the Underwriter by Eichner & Norris PLLC, Washington, D.C. Payment of the fees of certain counsel to the transaction is contingent upon the execution and delivery of the Bonds as described herein.

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.

NO LITIGATION

The Issuer

In connection with the issuance of the Bonds, the Issuer is delivering certificates to the effect that, to the knowledge of the authorized member of the Issuer, no litigation is pending or threatened against the Issuer (i) to restrain or enjoin the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued, or the pledge or application of any money or security provided for the payment of the Bonds, or (ii) which questions the validity of any of the Indenture, the Financing Agreement, the Regulatory Agreement or the Bonds.

The Borrower

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

ENFORCEABILITY OF REMEDIES

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

MISCELLANEOUS

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

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

[Remainder of Page Left Blank Intentionally]

[Issuer's Signature Page to the Official Statement]

CITY OF OCEANSIDE

By _____
Its _____

[Borrower's Signature Page to the Official Statement]

SHADOW WAY APARTMENTS, LP, a California
limited partnership

By Western Community Housing, Inc., a California
nonprofit public benefit corporation
Its Managing General Partner

By _____
Name _____
Title _____

By Shadow Way Holdings, LLC, a Utah limited liability
company
Its Administrative General Partner

By _____
Name _____
Title _____

APPENDIX A

DEFINITIONS OF CERTAIN TERMS

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

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

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

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

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

“Authorized Denomination” means (a) with respect to Bonds during any Variable Period, \$100,000 principal amount or any integral multiple of \$5,000 greater than \$100,000, and (b) with respect to Bonds during any Reset Period or the Fixed Rate Period, \$5,000 principal amount or any integral multiple thereof.

“Authorized Officer” means (a) when used with respect to the Issuer, the officers of the Issuer identified in the Indenture and such additional Person or Persons, if any, duly designated by the Issuer in writing to act on its behalf, (b) when used with respect to the Borrower, any general partner of the Borrower and such additional Person or Persons, if any, duly designated by the Borrower in writing to act on its behalf, (c) when used with respect to the Trustee, any authorized signatory of the Trustee, or any Person who is authorized in writing to take the action in question on behalf of the Trustee, (d) when used with respect to the Servicer, the officers of the Servicer identified in the Indenture and such additional Person or Persons, if any, duly designated by the Servicer in writing to act on its behalf, (e) when used with respect to the Remarketing Agent, the officers of the Remarketing Agent identified in the Indenture and such additional Person or Persons, if any, duly designated by the Remarketing Agent in writing to act on its behalf, (f) when used with respect to the Tender Agent, any authorized signatory of the Tender Agent and such additional Person or Persons, if any, duly designated by the Tender Agent in writing to act on its behalf, and (g) when used with respect to the Credit Facility Provider, any Person who is authorized in writing to take the action in question on behalf of the Credit Facility Provider.

“Bankruptcy Code” means Title 11 of the United States Code entitled “Bankruptcy,” as now in effect or as amended, or any successor federal statute.

“Bond Counsel” means initially Best Best & Krieger LLP and thereafter any firm of attorneys selected by the Issuer experienced in matters relating to the issuance of obligations by states and their political subdivisions that is listed as municipal bond attorneys in The Bond Buyer’s Municipal Marketplace and is acceptable to the Credit Facility Provider.

“*Bond Fee Component*” means the regular, ongoing fees from time to time to the Issuer, the Trustee, the Remarketing Agent, the Tender Agent, the Custodian, the Counterparty, if any, and the Rebate Analyst, if any, expressed as a flat, fixed amount or in terms of a percentage of the principal amount of Outstanding Bonds (including Purchased Bonds) on an annual basis.

“*Bond Financing Documents*” means, collectively, the Indenture, the Bonds, the Financing Agreement, the Remarketing Agreement, the Tax Certificate and the Bond Mortgage Loan Documents.

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

“*Bondholder*” or “*Holder*” or “*Owner*” means any Person who shall be the registered owner of any Outstanding Bond or Bonds.

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

“*Bond Mortgage Loan Fund*” means the Bond Mortgage Loan Fund established by the Trustee pursuant to the Indenture.

“*Bond Purchase Agreement*” means the Bond Purchase Agreement related to the Bonds, among the Issuer, the Borrower and the Underwriter.

“*Bond Purchase Fund*” means the Bond Purchase Fund established by the Tender Agent pursuant to the Indenture.

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

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

“*Bond Resolution*” means the resolution adopted by the Issuer authorizing the issuance of the Bonds.

“*Bond Year*” means the period of twelve consecutive months ending on February 1 in any year in which Bonds are Outstanding, provided that the first Bond Year shall commence on the Delivery Date and end on February 1, 2010.

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

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

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

“*Costs of Issuance*” means (i) the fees (excluding ongoing fees), costs and expenses of (a) the Issuer, the Issuer’s counsel and the Issuer’s financial advisor, (b) the Underwriter (including discounts to the Underwriter or other purchasers of the Bonds, other than original issue discount, incurred in the issuance and sale of the Bonds) and the Underwriter’s counsel, (c) Bond Counsel, (d) the Trustee and the Trustee’s counsel, (e) the Servicer and the Servicer’s counsel, if any, (f) the Credit Facility Provider and the Credit Facility Provider’s counsel, (g) the Borrower’s counsel and the Borrower’s financial advisor, if any, and (h) the Rating Agency, (ii) costs of printing the offering documents relating to the sale of the Bonds and (iii) all other fees, costs and expenses directly associated with the authorization, issuance, sale and delivery of the Bonds, including, without limitation, printing costs, costs of reproducing documents, filing and recording fees.

“*Costs of Issuance Deposit*” means the deposit to be made by the Borrower with the Trustee on the date of issuance of the Bonds, which deposit shall equal the amount set forth in the Indenture comprised of sources other than the proceeds of the Bonds.

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

“*Counterparty*” has the meaning given that term in the Reimbursement Agreement.

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

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

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

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

“*Custodian*” means The Bank of New York Mellon Trust Company, N.A. not in its individual capacity but solely in its capacity as collateral agent for the Credit Facility Provider, and any successor in such capacity.

“*Dated Date*” means the dated date for the Bonds set forth on the cover hereof.

“*Delivery Date*” means the date of initial delivery of the Bonds to the initial purchasers thereof against payment therefor.

“*DTC*” means The Depository Trust Company, New York, New York, as initial Securities Depository for the Bonds pursuant to the Indenture or its successors.

“*Eligible Funds*” means (a) the proceeds of obligations issued to refund the Bonds or remarketing proceeds received from the Remarketing Agent or any purchaser (other than funds provided by the Borrower, any general partner, member or guarantor of the Borrower or the Issuer), (b) proceeds received pursuant to the Credit Facility, (c) proceeds of the Bonds received contemporaneously with the issuance and sale of the Bonds, (d) proceeds from the investment or reinvestment of money described in clauses (a), (b) and (c) above, or (e) money delivered to the Trustee and accompanied by a written opinion acceptable to the Rating Agency (unless such opinion is waived in writing by the Rating Agency by notice delivered to the Trustee and the Credit Facility Provider) of nationally recognized counsel experienced in bankruptcy matters to the effect that if the Borrower, any general partner, member or guarantor of the Borrower, or the Issuer were to become a debtor in a proceeding under the Bankruptcy Code: (i) payment of such money to Holders of the Bonds would not constitute an avoidable preference under Section 547 of the Bankruptcy Code and (ii) the automatic stay provisions of Section 362(a) of the Bankruptcy Code would not prevent application of such money to the payment of the Bonds.

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

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

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

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

“*Fair Market Value*” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the 1986 Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (a) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (b) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the 1986 Code, (c) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (d) any commingled investment fund in which the Issuer and related parties do not own

more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of investment.

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

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

“*Fixed Rate Adjustment Date*” means the date on which the Fixed Rate for the Bonds becomes effective.

“*Fixed Rate Period*” means the period during which the Bonds bear interest at the Fixed Rate.

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

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

“*Freddie Mac Credit Enhancement Payment*” shall have the meaning given to that term in the Credit Enhancement Agreement.

“*Freddie Mac Reimbursement Amount*” shall have the meaning given to that term in the Reimbursement Agreement.

“*Government Obligations*” means investments meeting the requirements of clauses (a) or (b) of the definition of “*Qualified Investments*” in the Indenture.

“*Guaranteed Payment*” means the amount required to be paid to the Trustee pursuant to the Credit Facility, provided that so long as the Credit Enhancement Agreement is the Credit Facility, “*Guaranteed Payment*” shall have the meaning given to that term in the Credit Enhancement Agreement.

“*Guide*” means the Freddie Mac Multifamily Seller/Service Guide, as the same may be amended, modified or supplemented from time to time.

“*Hedge Agreement*” means any interest rate cap agreement, swap agreement or similar instrument required to be maintained for the benefit of the Credit Facility Provider under the terms of the Reimbursement Agreement.

“*Hedge Fee Escrow*” has the meaning given that term in the Reimbursement Agreement.

“*Index Rate*” means a rate equal to the index of the weekly index rate resets of tax exempt variable rate issues included in a database maintained by Municipal Market Data, a Thomson Financial Services Company, or its successors, which meet specific criteria established by The Securities Industry and Financial Markets Association, such index currently known as The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index or any successor to such index.

“*Information Services*” means in accordance with then current guidelines of the Securities and Exchange Commission, one or more services selected by the Trustee which are then providing

information with respect to called Bonds, or, if the Trustee does not select a service, then such service or services as the Issuer may designate in a certificate of the Issuer delivered to the Trustee.

“Interest Payment Date” means (i) during any Variable Period the first Interest Payment Date set forth on the cover hereof and thereafter and (ii) each Reset Adjustment Date, Variable Rate Adjustment Date, Fixed Rate Adjustment Date, Substitution Date and the maturity date of the Bonds, and (iii) for Bonds subject to redemption but only with respect to such Bonds, the date of redemption (or purchase in lieu of redemption).

“Interest Requirement” means (a) during the Variable Period, 35 days’ interest computed at the Maximum Rate and (b) during a Reset Period or the Fixed Rate Period, 189 days’ interest computed at the Reset Rate or Fixed Rate, as applicable, or in the case of either (a) or (b), such lesser number of days as is acceptable to the Rating Agency (as confirmed in writing by the Rating Agency).

“Issuer Fee” means the fee paid to the Issuer on the Delivery Date in the amount set forth in the Indenture together with the Issuer’s annual fee in the amount set forth in the Indenture payable by the Borrower under the Financing Agreement.

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

“Market Risk Event” means (a)(i) legislation enacted by the Congress, (ii) a final non appealable decision rendered by a court established under Article III of the Constitution of the United States, or the United States Tax Court, or (iii) a final order, ruling or regulation issued by the United States Department of the Treasury or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of causing interest received by any holder of a Bond (other than a Bondholder who is a “substantial user” of the Project or a “related person” of a substantial user (each within the meaning of Section 147(a) of the 1986 Code)) to be included in the gross income of such Bondholder for purposes of federal income taxation; or (b) legislation enacted or any final action taken by the Securities and Exchange Commission which, in the opinion of counsel to the Remarketing Agent, has the effect of requiring the remarketing of the Bonds to be registered under the Securities Act of 1933, as amended (the “Securities Act”), or any other “security,” as defined in the Securities Act, issued in connection with or as part of the remarketing of the Bonds to be so registered or the Indenture to be qualified as an indenture under the Trust Indenture Act of 1939, as amended; or (c) any event shall have occurred or shall exist which, in the reasonable judgment of the Remarketing Agent, makes or has made untrue or incorrect in any material respect any statement or information contained in a reoffering circular or other disclosure document distributed in connection with the Fixed Rate Adjustment or Reset Adjustment Date or is not or was not reflected in such reoffering circular or other disclosure document but should be or should have been reflected therein in order to make the statements or information contained therein not misleading in any material respect; or (d) in the reasonable judgment of the Remarketing Agent, any event which makes it impractical or inadvisable for the Remarketing Agent to remarket or enforce agreements to remarket Bonds because trading in securities generally shall have been suspended on the New York Stock Exchange, Inc., or a general banking moratorium shall have been established by federal, New York or State authorities.

“Maturity Date” means the maturity date of the Bonds set forth on the cover hereof.

“Maximum Rate” means 12% per annum; provided that, without amendment to any Bond Financing Document pursuant to the Indenture, the Maximum Rate may be increased to a specified higher Maximum Rate if there shall have been delivered to the Trustee and the Remarketing Agent (a) an

Opinion of Bond Counsel to the effect that such higher Maximum Rate is permitted under applicable law and will not, in and of itself, cause the interest on the Bonds to be included in the gross incomes of the Bondholders for federal income tax purposes and (b) either (i) the written consent of the Credit Facility Provider to the specified higher Maximum Rate and evidence that the Credit Facility will cover the Interest Requirement at such higher Maximum Rate, or (ii) a new or amended Credit Facility in an amount equal to the sum of (A) the principal amount of the Outstanding Bonds and (B) the new Interest Requirement calculated using the new higher Maximum Rate; provided that the Maximum Rate shall never exceed the maximum rate permitted by applicable law to be paid on the Bonds or to be charged on the Bond Mortgage Loan.

“*Moody’s*” means Moody’s Investors Service, Inc., its successors and assigns.

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

“*1986 Code*” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

“*1954 Code*” means the Internal Revenue Code of 1954, as amended, and the regulations promulgated thereunder, as such 1954 Code shall have been in effect immediately preceding the enactment of the 1986 Code.

“*Official Statement*” means the Official Statement, relating to the sale and issuance of the Bonds, as the same may be supplemented or amended.

“*Optional Tender Date*” has the meaning set forth under the heading “THE BONDS—Demand for and Mandatory Purchase of the Bonds” herein.

“*Ordinary Servicing Fees and Expenses*” means the ordinary fees payable to the Servicer in connection with the servicing of the Bond Mortgage Loan, payable monthly in arrears as provided in the Reimbursement Agreement.

“*Ordinary Trustee’s Fees and Expenses*” means the annual administration fee for the Trustee’s ordinary fees and expenses in rendering its services under the Indenture as Trustee during each twelve month period, which fee is equal to (and shall not exceed) the amount set forth in the Indenture and shall be payable annually in advance on the dates set forth in the Indenture.

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

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

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

such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee; and

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

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

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

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

"Pledge Agreement" means that certain Pledge, Security and Custody Agreement, dated as of the date of the Indenture, by and between the Custodian and the Borrower, as originally executed or as modified or amended from time to time, together with any similar agreement executed in connection with an Alternate Credit Facility, as originally executed or as amended or modified from time to time.

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

"Principal Office of the Remarketing Agent" means the office of the Remarketing Agent referenced in the Indenture or such other office or offices as the Remarketing Agent may designate from time to time, or the office of any successor Remarketing Agent where it principally conducts its business of serving as remarketing agent under indentures pursuant to which municipal or governmental obligations are issued.

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

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

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

“Principal Reserve Schedule” means the Principal Reserve Schedule calculated in accordance with, and attached as an exhibit to, the Reimbursement Agreement, as the same may be amended from time to time.

“Principal Reserve Schedule Payments” means the payments to be made by the Borrower in accordance with the Principal Reserve Schedule as set forth in the Reimbursement Agreement.

“Purchased Bond” means any Bond during the period from and including the date of its purchase by the Trustee on behalf of the Borrower with amounts provided by the Credit Facility Provider under the Credit Facility, to, but excluding, the date on which such Bond is remarketed to any Person other than the Credit Facility Provider, the Borrower, any general partner, member or guarantor of the Borrower or the Issuer. All Purchased Bonds are to be held in certificated form under and pursuant to the Pledge Agreement.

“Purchase Price,” with respect to any Bond required to be purchased pursuant to the Indenture as described under the headings “THE BONDS—Demand for and Mandatory Purchase of the Bonds” and “—Mandatory Tender of the Bonds on Substitution Date” herein means the principal amount of such Bond plus interest accrued thereon to the Settlement Date and with respect to any Bond to be purchased pursuant to the Indenture as described under the heading “THE BONDS— Purchase of Bonds in Whole in Lieu of Redemption” herein means the principal amount of such Bond plus any redemption premium due thereon plus interest accrued thereon to the Settlement Date.

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

rated “Aaam”/“AAA” by Moody’s/S&P or (h) any other investments approved in writing by the Credit Facility Provider. For purposes of this definition, the “highest rating” shall mean a rating of at least “VMIG-1”/“A 1+” for obligations with less than one year maturity; at least “Aaa”/“VMIG-1”/“AAA”/“A 1+” for obligations with a maturity of one year or greater but less than three years; and at least “Aaa”/“AAA” for obligations with a maturity of three years or greater. Qualified Investments must be limited to instruments that have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change and interest, if tied to an index, shall be tied to a single interest rate index plus a single fixed spread, if any, and move proportionately with such index.

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

“*Rebate Analyst*” means a certified public accountant, financial analyst or bond counsel, or any firm of the foregoing, or financial institution (which may include the Trustee) experienced in making the arbitrage and rebate calculations required pursuant to Section 148 of the Code, selected by and at the expense of the Borrower, with the prior written consent of the Issuer, to make the computations required under the Indenture and the Financing Agreement.

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

“*Record Date*” means during any Variable Period, the Business Day immediately preceding an Interest Payment Date and during any Reset Period or the Fixed Rate Period, the 15th day of the calendar month preceding the calendar month in which any Interest Payment Date falls.

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

“*Rehabilitation Costs of the Project*” means the costs of the acquisition, rehabilitation and equipping of the Project.

“*Rehabilitation Escrow Agreement*” means the Rehabilitation Escrow Agreement, dated as of the date of the Indenture, by and between the Borrower and Credit Facility Provider, as amended, modified or supplemented.

“*Reimbursement Security Documents*” has the meaning ascribed thereto in the Reimbursement Agreement.

“*Remarketing Agent*” means the remarketing agent appointed pursuant to the Indenture or any successors or assigns to the Remarketing Agent. With respect to the Remarketing Agent, the term “successors” shall include any entity to which the Remarketing Agent transfers its remarketing activities, provided that any successor entity otherwise satisfies the Credit Facility Provider’s then-applicable standards for approved remarketing agents.

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

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

“*Repair Agreement*” means the Repair Escrow Agreement dated as of the date of the Indenture by and between the Borrower and Credit Facility Provider, as amended, modified or supplemented.

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

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

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

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

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

“*Revenues*” means (a) all payments made with respect to the Bond Mortgage Loan pursuant to the Financing Agreement, the Bond Mortgage Note or the Bond Mortgage, including all casualty or other insurance benefits and condemnation awards paid in connection therewith (subject in all events to the interests of the Credit Facility Provider therein under the terms of the Credit Facility and the Reimbursement Agreement), (b) payments made by the Credit Facility Provider pursuant to the Credit Facility and (c) all money and securities held by the Trustee in the funds and accounts established pursuant to the Indenture (excluding money or securities in the Cost of Issuance Fund, the Bond Purchase Fund, the Principal Reserve Fund and the Rebate Fund), together with all investment earnings thereon. Principal Reserve Schedule Payments shall not constitute Revenues under the Indenture.

“*Schedule of Work*” means the Schedule of Work attached as an exhibit to the Rehabilitation Escrow Agreement as it may from time to time be amended, modified or supplemented.

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

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

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

“*State*” means the State of California.

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

“*Tax Certificate*” means the _____ dated the Delivery Date, executed and delivered by the Issuer and Borrower, as amended, supplemented or restated from time to time.

“Tender Agent” means the Tender Agent appointed in accordance with the Indenture.

“Tender Notice” means a notice of demand for purchase of Bonds given by any Bondholder pursuant to the Indenture.

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

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

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

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

“Variable Rate” means the variable rate of interest borne by the Bonds as determined in accordance with the Indenture.

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

“Washington, D.C. Time” means Eastern Daylight Time or Eastern Standard Time as then in effect in Washington, D.C.

APPENDIX B
FORM OF BOND COUNSEL OPINION

APPENDIX C

FORM OF CREDIT ENHANCEMENT AGREEMENT

Freddie Mac Loan No.: _____

CREDIT ENHANCEMENT AGREEMENT

between

FEDERAL HOME LOAN MORTGAGE CORPORATION

and

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

**Relating to a
Bond Mortgage Loan
Securing**

\$15,000,000

CITY OF OCEANSIDE

**VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS
(SHADOW WAY APARTMENTS PROJECT)
SERIES 2009**

Dated as of February 1, 2009

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CREDIT ENHANCEMENT AGREEMENT

THIS CREDIT ENHANCEMENT AGREEMENT (this "Agreement") made and entered into as of February 1, 2009, by and between the **FEDERAL HOME LOAN MORTGAGE CORPORATION** ("Freddie Mac"), a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States, and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.** (the "Trustee"), a banking association, duly organized and existing under the laws of the United States, in its capacity as Trustee under a Trust Indenture dated as of February 1, 2009 (the "Indenture"), between the City of Oceanside (the "Issuer") and the Trustee.

WITNESSETH:

WHEREAS, pursuant to the Indenture, the Issuer has issued its Variable Rate Demand Multifamily Housing Revenue Bonds (Shadow Way Apartments Project) Series 2009 (the "Bonds") in the original principal amount of \$15,000,000; and

WHEREAS, pursuant to a Financing Agreement dated as of February 1, 2009 (the "Financing Agreement") among the Issuer, the Trustee and Shadow Way Apartments, L.P., a California limited partnership (the "Borrower"), the Issuer used the proceeds of the sale of Bonds to make a mortgage loan (the "Bond Mortgage Loan") to the Borrower to finance the Project described therein; and

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

WHEREAS, the Borrower's repayment obligations in respect of the Bond Mortgage Loan are evidenced by a promissory note dated as of February 1, 2009 (together with all riders and addenda thereto, the "Bond Mortgage Note") from the Borrower to the Issuer, as such has been assigned by the Issuer to the Trustee; and

WHEREAS, to secure the Borrower's obligations under the Bond Mortgage Note, the Borrower has executed and delivered for the benefit of the [Trustee] a [Multifamily Deed of Trust, Assignment of Rents and Security Agreement] dated as of February 1, 2009 (the "Bond Mortgage") with respect to the Project; and

WHEREAS, in order to provide credit enhancement for the payment by the Borrower of amounts due under the Bond Mortgage Loan and provide liquidity support for the Bonds, the Borrower has requested that Freddie Mac enter into this Agreement with the Trustee, which permits the Trustee to make (i) draws in an amount equal to Guaranteed Payments with respect to the Bond Mortgage Loan and (ii) liquidity draws to the extent remarketing proceeds are insufficient to pay the Purchase Price of the Bonds (other than Purchased Bonds) while the Bonds bear interest at a Variable Rate; and

WHEREAS, to evidence the Borrower's reimbursement obligations to Freddie Mac for draws made hereunder, the Borrower and Freddie Mac are entering into a Reimbursement and

Security Agreement contemporaneously with the execution and delivery hereof (the “Reimbursement Agreement”); and

WHEREAS, to secure the Borrower’s reimbursement obligations to Freddie Mac under the Reimbursement Agreement, the Borrower is executing and delivering for the benefit of Freddie Mac a [Second] Multifamily Deed of Trust, Assignment of Rents and Security Agreement] contemporaneously with the execution and delivery hereof (the “Reimbursement Mortgage”) with respect to the Project; and

WHEREAS, the rights of the Issuer, the Trustee and Freddie Mac to enforce remedies under the Bond Mortgage and the Reimbursement Mortgage, respectively, are governed by an Intercreditor Agreement dated as of February 1, 2009 among the Issuer, the Trustee and Freddie Mac; and

WHEREAS, Prudential Affordable Mortgage Company (the “Servicer”) will act as initial servicer for the Bond Mortgage Loan;

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

ARTICLE I

DEFINITIONS AND INTERPRETATION

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

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

“*Available Amount*” means, at any time, an amount equal to the aggregate principal amount of Bonds Outstanding (initially, \$15,000,000) plus an amount equal to the accrued interest on the Bonds Outstanding for up to 35 days at the Maximum Interest Rate during the Variable Period, and up to 189 days at the Reset Rate or the Fixed Rate during any Reset Period or Fixed Rate Period, as the case may be, computed, during the period when the Bonds bear interest at the Variable Rate, on the basis of the actual days elapsed and a 365- or 366-day year, and computed, during the period when the Bonds bear interest at a Reset Rate or Fixed Rate, on the basis of a 360-day year of twelve (12) thirty (30) day months, in each instance as reduced by that amount, if any, previously provided by Freddie Mac to the Trustee for payment of the Guaranteed Payment or to enable the Trustee to purchase Purchased Bonds, such reduction to be in an amount equal to (i) in the case of payment of a Guaranteed Payment, 100% of the amount of such payment and (ii) in the case of the purchase of Purchased Bonds, 100% of the principal amount of such Purchased Bonds plus the accrued interest, if any, paid with respect to such

Purchased Bonds. Following any provision of funds under this Agreement, the amount provided (and the amount by which the Available Amount is reduced) shall be reinstated only as provided in Sections 3.1(a)(iv) and 3.1(b)(iv).

“*Bonds*” means the Issuer’s Variable Rate Demand Multifamily Housing Revenue Bonds (Shadow Way Apartments Project) Series 2008A, issued in the original principal amount of \$15,000,000.

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

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

“*Bond Mortgage Note*” means the promissory note from the Borrower to the Issuer in the original principal amount of \$15,000,000, including all riders and addenda thereto, evidencing the Borrower’s obligation to repay the Bond Mortgage Loan, as the same may be amended, modified or supplemented from time to time, which promissory note has been assigned by the Issuer to the Trustee pursuant to the Indenture.

“*Bond Mortgage Payment Date*” means (i) each Interest Payment Date (as defined in the Indenture) while the Bond Mortgage Loan is outstanding, commencing March 2, 2009 and (ii) any other date on which principal of the Bond Mortgage Note is paid.

“*Borrower*” means Shadow Way Apartments, L.P., a California limited partnership, and any permitted successor to or assignee of its rights and obligations under the Bond Financing Documents.

“*Business Day*” means any day other than (i) a Saturday, (ii) a Sunday, (iii) a day on which the Federal Reserve Bank of New York (or other agent acting as Freddie Mac’s fiscal agent) is authorized or obligated by law or executive order to remain closed, (iv) a day on which the permanent home office of Freddie Mac is closed or (v) a day on which (a) banking institutions in the City of New York or in the city in which the Principal Office of the Trustee, the Tender Agent or the Remarketing Agent or the permanent home office of Freddie Mac is located are authorized or obligated by law or executive order to be closed or (b) the New York Stock Exchange is closed.

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

“*Custodian*” means The Bank of New York Mellon Trust Company, N.A. not in its individual capacity but solely in its capacity as collateral agent for Freddie Mac, and any successor thereto in such capacity.

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

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

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

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

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

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

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

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

“*Guide*” means the Freddie Mac Multifamily Seller/Service Guide, as amended, modified or supplemented from time to time.

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

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

“*Issuer*” means the City of Oceanside, and its successors.

“*Liquidity Commitment*” means the obligation of Freddie Mac to provide funds to the Trustee, as provided in Section 3.1(b) of this Agreement, to enable the Trustee to purchase, on behalf of the Borrower, tendered Bonds which have not been remarketed by the Remarketing Agent pursuant to the Remarketing Agreement and the Indenture and, therefore, with respect to which there are no proceeds of remarketing.

“*Liquidity Commitment Termination Date*” means the Business Day immediately following the earliest of (a) the maturity date of the Bonds, (b) the date on which the interest rate on the Bonds is converted to a Fixed Rate to the maturity date of the Bonds, (c) the effective date of an Alternate Credit Facility which replaces this Agreement or (d) the last day of the term of this Agreement.

“*Liquidity Use Fee*” shall have the meaning set forth in the Reimbursement Agreement.

“*Maximum Interest Rate*” means twelve percent (12.00%) per annum.

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

“*Pledge Agreement*” means the Pledge, Security and Custody Agreement dated as of February 1, 2009 between the Borrower and the Custodian, as the same may be amended, supplemented or restated from time to time.

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

“*Purchased Bond*” means any Bond during the period from and including the date of its purchase by the Trustee on behalf of the Borrower with amounts provided by Freddie Mac under this Agreement, to, but excluding, the date on which such Bond is remarketed to any person other than Freddie Mac, the Borrower, any general partner, member or guarantor of the Borrower or the Issuer.

“*Purchase Price*,” with respect to any Bond required to be purchased pursuant to Sections 2.02, 2.13, 10.01 or 10.02 of the Indenture, means the principal amount of such Bond plus interest accrued thereon to the Settlement Date and with respect to any Bond to be purchased pursuant to Section 3.06 of the Indenture means the principal amount of each Bond plus any redemption premium due thereon plus interest accrued to the Settlement Date. No portion of the Purchase Price consisting of any redemption premium shall be payable from funds drawn under this Agreement.

“*Reimbursement Agreement*” means the Reimbursement and Security Agreement dated as of February 1, 2009 between the Borrower and Freddie Mac, as the same may be amended, supplemented or restated from time to time.

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

	Interest Component	Principal Component
Required Bond Mortgage Payment	<p>(i) The regularly scheduled payment of interest due on the unpaid principal balance of the Bond Mortgage Loan, adjusted solely (a) on the first day of each Variable Interest Accrual Period, (b) on any Reset Adjustment Date or on the Fixed Rate Adjustment Date, and (c) otherwise as provided in Section 3.4,</p> <p>(ii) upon optional or mandatory prepayment of the Bond Mortgage Loan, all accrued and unpaid interest on the amount prepaid and</p> <p>(iii) on the maturity date or upon acceleration of the Bond Mortgage Note, all accrued and unpaid interest thereon.</p>	<p>(i) The regularly scheduled payment of principal, on the Bond Mortgage Note, if any,</p> <p>(ii) upon optional or mandatory prepayment of the Bond Mortgage Loan, the principal amount of the Bond Mortgage Note being prepaid and</p> <p>(iii) on the maturity date or upon acceleration of the Bond Mortgage Note, the unpaid principal balance of the Bond Mortgage Note.</p>
Guaranteed Payment	The Interest Component of the corresponding Required Bond Mortgage Payment, less interest accrued on Purchased Bonds.	<p>(i) The regularly scheduled payment of principal, on the Bond Mortgage Note, if any (ii) upon optional or mandatory prepayment of the Bond Mortgage Loan, the principal amount of the Bond Mortgage Note being prepaid and (iii) on the maturity date or upon acceleration of the Bond Mortgage Note, the unpaid principal balance of the Bond Mortgage Note.</p>

For the purpose of this Agreement only, regularly scheduled monthly deposits to the Principal Reserve Fund, as set forth in the Principal Reserve Schedule attached as an exhibit to the Reimbursement Agreement, or other escrows required by the Bond Mortgage or the Reimbursement Mortgage are not included in the Required Bond Mortgage Payment or Guaranteed Payment.

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

“*State*” means the State of California.

“*Termination Date*” means the first to occur of (a) the date the Bonds shall have been paid in full, (b) the date the Bonds shall have been purchased in accordance with the provisions

of Section 3.2 of this Agreement, (c) **[Date in Commitment]**, (d) the date on which the Trustee, after having received sufficient funds to redeem all of the Bonds Outstanding in accordance with the terms of the Indenture, shall have released the lien of the Indenture and shall have paid to Freddie Mac all amounts required to be paid under the Indenture, the Financing Agreement, the Reimbursement Agreement, this Agreement and any other Bond Financing Document, and (e) the day immediately following the effective date of any Alternate Credit Facility.

“*Trustee*” means The Bank of New York Mellon Trust Company, N.A. and its successors and any other corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at any time serving as successor trustee under the Indenture.

“*Wire Request System*” means the Freddie Mac web-based application known as “MultiSuite for Bonds—Wire Request System,” which is designed to facilitate the payment of Draw Requests. The Wire Request System is to be used by the Trustee to conduct electronic transactions with Freddie Mac and is accessible only via Freddie Mac’s website at the following URL: <http://www.freddiemac.com/multifamily/multisuite.htm>. For instructions on how to register and use the Wire Request System, please call the Freddie Mac Trustee Hotline.

Section 1.2 Interpretation. In this Agreement, unless the context otherwise requires, words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include partnerships, limited liability companies, corporations and associations, including public bodies, as well as natural persons. The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder,” and any similar terms, as used in this Agreement, refer to this Agreement. Any reference in this Agreement to an “Exhibit”, a “Section”, a “Subsection”, a “Paragraph” or a “subparagraph” shall, unless otherwise explicitly provided, be construed as referring, respectively, to an Exhibit attached to this Agreement, a section of this Agreement, a subsection of the section of this Agreement in which the reference appears, a paragraph of the subsection within this Agreement in which the reference appears, or a subparagraph of the paragraph within which the reference appears. All Exhibits attached to or referred to in this Agreement are incorporated by reference into this Agreement.

ARTICLE II

REPRESENTATIONS

Section 2.1 Representations by Freddie Mac. Freddie Mac represents and warrants that:

- (a) It is a shareholder–owned government–sponsored enterprise organized and existing under the laws of the United States of America.
- (b) This Agreement is a valid and binding obligation of Freddie Mac, the making and performance of which by Freddie Mac have been duly authorized by all necessary corporate and other action and neither the consummation of the transactions

contemplated hereby nor the fulfillment of or compliance with the terms and conditions of this Agreement by Freddie Mac conflicts with, results in a breach of, or is a default under, in any material respect, any of the terms, conditions or provisions of any legal restriction or any instrument to which Freddie Mac is now a party or by which Freddie Mac is bound, or constitutes a violation of any law regulating the affairs of Freddie Mac or internal governing documents of Freddie Mac, and will not result in the creation of any prohibited encumbrance upon any of its assets.

Section 2.2 Representations by Trustee. The Trustee represents, warrants and covenants that:

(a) It is a national banking association, duly organized and existing under the laws of the United States, has the power (including trust powers) and authority to accept and execute trusts, has duly accepted its appointment as Trustee under the Indenture, and all corporate action required to authorize acceptance of such appointment as Trustee under the Indenture, the execution, delivery and performance of the Indenture and this Agreement, and consummation of the transactions contemplated thereby and hereby, have been duly taken.

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

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

ARTICLE III

CREDIT ENHANCEMENT AND LIQUIDITY

Section 3.1 Credit Enhancement Payments and Liquidity Payments.

(a) (i) On each Bond Mortgage Payment Date, a portion of the Available Amount in an amount not to exceed the aggregate principal amount of the Bonds Outstanding (initially, \$15,000,000) is available for the payment of the Principal Component of the Guaranteed Payment and a portion of the Available Amount in an amount not to exceed the accrued interest on the Bonds Outstanding for up to 35 days at the Maximum Interest Rate during the Variable Period and up to 189 days at the Reset Rate or the Fixed Rate during any Reset Period or Fixed Rate Period, as the case may be (calculated as provided in the definition of Available Amount), is available for the payment of the Interest Component of the Guaranteed Payment, subject to reduction and reinstatement as provided in Section 3.1(a)(iv). Funds shall be made available to the Trustee for such payment against delivery by the Trustee of a demand for payment (each a "Draw Request"). Until Freddie Mac provides the Trustee with written or electronic notice to the contrary, the Trustee shall deliver Draw Requests to Freddie Mac using the

Wire Request System. If, for any reason, the Trustee is unable to deliver a Draw Request electronically for processing a payment using the Wire Request System, the Trustee shall notify Freddie Mac immediately via the Freddie Mac Trustee Hotline and Freddie Mac Trustee E-mail Account and deliver that Draw Request by facsimile or electronic transmission, immediately confirmed by overnight delivery service, of a Notice, in the form set forth in Exhibit A-1 hereto to Freddie Mac at (571) 382-4798, if by facsimile transmission, or the Freddie Mac Trustee E-mail Account, if by electronic transmission (or to such other facsimile number or e-mail address or using such other means of electronic or telephonic communication as Freddie Mac shall designate in writing); provided that Freddie Mac may waive in writing the requirement of confirmation by overnight delivery service. If a Draw Request is made in strict conformity with the terms and conditions hereof, payment shall be made to the Trustee in immediately available funds (A) if such Draw Request is received by Freddie Mac by 12:00 Noon (Washington, D.C. time) on any Business Day, not later than 2:00 p.m. (Washington, D.C. time) on the next Business Day, and (B) if such Draw Request is so received after 12:00 Noon (Washington, D.C. time) on any Business Day, not later than 2:00 p.m. (Washington, D.C. time) on the second succeeding Business Day.

(ii) Notwithstanding any other provision of this Agreement, Freddie Mac shall have no obligation under any circumstance to make a Freddie Mac Credit Enhancement Payment or any other payment under this Agreement with respect to any prepayment premium or other prepayment charge payable on the Bond Mortgage Loan or due under the Bond Mortgage Note (or which may in any way relate to the Bonds, including any redemption premium on the Bonds), any reserve funds that are funded from Bond proceeds, any negative arbitrage or investment losses with respect to reserve amounts held by the Trustee under the Indenture or with respect to the Hedge Fee Escrow (as such term is defined in the Reimbursement Agreement), and Freddie Mac's obligation with respect to the payment of interest under this Section is limited to the Interest Component of the related Guaranteed Payment. In no event shall Freddie Mac be obligated to make a payment under Section 3.1(a) in excess of the Guaranteed Payment. The provisions of this Paragraph (a)(ii) shall in no way affect the obligation of Freddie Mac to make payment of principal to the extent elsewhere provided in this Section.

(iii) To the extent there are Purchased Bonds, Freddie Mac shall have no obligation under any circumstance to make a Freddie Mac Credit Enhancement Payment with respect to that portion of the Required Bond Mortgage Payments allocable to amounts owed on Purchased Bonds.

(iv) Upon a payment under this Agreement, the Available Amount and the amount thereof available (A) for the payment of the Principal Component of the Guaranteed Payment, shall be automatically reduced by an amount equal to the amount of such payment for such purpose and (B) for the payment of the Interest Component of the Guaranteed Payment, shall be automatically reduced by an amount equal to the amount of such payment for such purpose. The obligation of Freddie Mac to pay the Principal Component of the Guaranteed

Payment shall not be reinstated. The obligation of Freddie Mac to pay the Interest Component of the Guaranteed Payment shall be reinstated, up to the maximum amount set forth in Section 3.1(a)(i) for such purpose, automatically on the day following the provision of funds by Freddie Mac for payment of such Interest Component.

(b) (i) If on any Settlement Date, the Remarketing Agent is unable to remarket any or all of the Bonds tendered for purchase on such Settlement Date, Freddie Mac shall be obligated to pay to the Trustee in immediately available funds, not later than 2:00 p.m., Washington, D.C. time, on the Settlement Date, the Purchase Price of such tendered Bonds. The obligation of Freddie Mac to make such payment is subject to the condition precedent that Freddie Mac (A) shall have timely received from the Trustee or the Tender Agent, as the case may be, and the Remarketing Agent, all notices required to be delivered to Freddie Mac pursuant to Section 10.03 of the Indenture, and (B) shall have received not later than 11:00 a.m., Washington D.C. time, on the Settlement Date, (1) a Draw Request, and (2) an e-mail from the Trustee to the Freddie Mac Trustee E-mail Account notifying Freddie Mac that the Draw Request on such date is made pursuant to the Liquidity Commitment. Such Draw Request shall be made using the Wire Request System until Freddie Mac provides the Trustee with written or electronic notice to the contrary. If, for any reason, the Trustee is unable to deliver such Draw Request electronically using the Wire Request System, the Trustee shall immediately notify Freddie Mac via both the Freddie Mac Trustee Hotline and the Freddie Mac Trustee E-mail Account, and shall deliver such Draw Request, instead, in the form of Exhibit A-2 by facsimile or electronic transmission, immediately confirmed by overnight delivery service, to Freddie Mac at (571) 382-4798, if by facsimile transmission, or the Freddie Mac Trustee E-mail Account, if by electronic transmission (or to such other facsimile number or e-mail address or using such other means of electronic or telephonic communication as Freddie Mac shall designate in writing). In no event shall the amount payable pursuant to this Section 3.1(b) exceed the Available Amount, nor shall any amounts payable hereunder be used to purchase Purchased Bonds.

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

(iii) The Trustee shall receive and hold all funds provided by Freddie Mac under this Agreement on account of the Purchase Price of Bonds in trust for the benefit of Freddie Mac and shall not disburse such funds to the Tender Agent until the tendered Bonds have been received by the Tender Agent. The Trustee shall, on the Settlement Date, on behalf of the Borrower, cause Purchased Bonds to be registered in the name of the Custodian, until remarketed or redeemed, subject to the security interest provided for in Section 3.1(b)(v) of this Agreement and the Pledge Agreement.

(iv) The obligation of Freddie Mac to pay the Purchase Price of tendered Bonds shall be reinstated (a) automatically, when and to the extent that (1) Freddie Mac has received reimbursement in immediately available funds for

the amount provided pursuant to this Agreement to pay all or a portion of the Purchase Price of tendered Bonds or has received written confirmation from the Tender Agent that the Tender Agent has received immediately available funds which it will immediately remit to Freddie Mac as reimbursement for the amount provided to pay all or a portion of the Purchase Price of tendered Bonds, and (2) the Tender Agent has delivered to Freddie Mac, by facsimile at (571) 382-4798 or electronic transmission via the Freddie Mac Trustee E-mail Account or to such other facsimile number, e-mail address, office or Freddie Mac employee as Freddie Mac shall designate by written notice to the Tender Agent (with confirmation of the facsimile or electronic transmission by (A) telephone call to the Freddie Mac Trustee Hotline or to such other number, office or Freddie Mac employee as Freddie Mac shall designate by written notice to the Tender Agent and (B) concurrently mailed original by first class mail, postage fully prepaid, to Multifamily Loan Accounting or to such other office or Freddie Mac employee as Freddie Mac shall designate by written notice to the Tender Agent), a certificate in the form attached to this Agreement as ***Exhibit B***, appropriately completed and executed by an officer of the Tender Agent or (b) at such time as and to the extent that Freddie Mac, in its discretion, advises the Trustee in writing that such reinstatement shall occur, it being understood that Freddie Mac shall have no obligation to grant any such reinstatement except as provided in clause (a).

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

(vi) If, following an optional or mandatory tender of Bonds in accordance with Section 10.01 or Section 10.02 of the Indenture, the tendered Bonds have not been remarketed, but have been purchased by the Trustee on behalf of the Borrower with funds provided by Freddie Mac to the Trustee under Section 3.1(b) of this Agreement and such Purchased Bonds have not been remarketed as of the ninetieth (90th) day following the date of such purchase, Freddie Mac shall have the right, at any time following such ninetieth (90th) day and provided that (a) the Bonds have not then been remarketed and (b) Freddie Mac has not then been reimbursed in full for the amounts advanced under this Agreement or, without regard to such reimbursement, Freddie Mac has not then been paid in full all fees and other amounts due to Freddie Mac, all in accordance with the Reimbursement Agreement, to (1) declare an Event of Default under (and as defined in) the Reimbursement Agreement or (2) terminate this Agreement and direct the Trustee to redeem the Bonds in accordance with Section 3.01(b)(ii) of the Indenture. In any of such events Freddie Mac shall pay the redemption price of all Bonds (other than Purchased Bonds) Outstanding.

(c) Payments required to be made pursuant to this Agreement shall be made from any source legally available to Freddie Mac, other than funds of the Borrower or the Issuer.

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

(e) This Agreement shall become effective upon its execution and delivery by Freddie Mac and the Trustee and shall cease to be in effect on the Termination Date. On the Liquidity Commitment Termination Date following the payment of any amounts due hereunder, (a) all obligations of Freddie Mac under Section 3.1(b) shall terminate and (b) all provisions of this Agreement relating to Freddie Mac's Liquidity Commitment shall cease to be applicable.

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

Section 3.2 Right of Freddie Mac to Cause Redemption, Mandatory Tender or Acceleration of Bonds.

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

(b) If Freddie Mac pays the Purchase Price of tendered Bonds in accordance with Section 3.06 or 10.02 of the Indenture, subsequent to its date of purchase Freddie Mac or an entity designated by Freddie Mac in accordance with Section 3.06 of the Indenture, as the case may be, may on any day elect:

(i) to present all or a portion of such Bonds to the Trustee for cancellation pursuant to Section 3.07 of the Indenture;

(ii) to direct the Trustee to redeem all or a portion of such Bonds pursuant to Section 3.01(a)(ii) of the Indenture from the sources identified in that Section, in which case all or such portion of such Bonds shall be redeemed pursuant to Section 3.01(a)(ii) of the Indenture; or

(iii) upon 15 days' prior notice to the Trustee and the Issuer, to deliver to the Trustee a written undertaking by Freddie Mac confirming its continuing obligations under this Agreement upon a remarketing of such Bonds pursuant to Section 10.10(d) of the Indenture.

(c) Freddie Mac shall have the right to cause an acceleration of the Bonds pursuant to Section 6.02 of the Indenture provided the conditions set forth therein have been satisfied. In such event, Freddie Mac shall pay to the Trustee the entire principal amount of the Bonds, minus the principal amount of any Purchased Bonds, together with accrued interest thereon to the date of acceleration of the Bonds and may direct the cancellation of any such Purchased Bonds.

(d) Upon the payment by Freddie Mac of the redemption price or Purchase Price of the Bonds as provided in Sections 3.2(a), (b) or (c) all payment obligations of Freddie Mac under Section 3.1 with respect to such Bonds to the extent of such payment shall thereupon terminate, other than payment obligations becoming due and owing prior to the date of such payment.

Section 3.3 *Nature of the Trustee's Rights.* The right of the Trustee to receive payments from Freddie Mac pursuant to Sections 3.1 and 3.2 shall not be diminished by any rights of set-off, recoupment or counterclaim Freddie Mac might otherwise have against the Issuer, the Trustee, the Borrower or any other person. Notwithstanding the foregoing, this Section 3.3 shall not be construed: to release the Trustee or the Issuer from any of their respective obligations hereunder or under the Indenture; except as provided in this Section, to prevent or restrict Freddie Mac from asserting any rights which it may have against the Issuer, the Trustee or the Borrower under this Agreement, the Indenture, the Intercreditor Agreement, the Bond Mortgage Loan or any provisions of law; or to prevent or restrict Freddie Mac, at its own cost and expense, from prosecuting or defending any action or proceeding by or against the Issuer, the Trustee or the Borrower or taking any other actions to protect or secure its rights; provided, however that any recovery against the Issuer is limited to amounts held under the Indenture.

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

ARTICLE IV

FREDDIE MAC REIMBURSEMENTS

Section 4.1 *Reimbursements.*

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

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

ARTICLE V

COVENANTS

Section 5.1 *Annual Reports.* Freddie Mac registered its common stock with the U.S. Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (the "Exchange Act"), effective July 18, 2008. As a result, Freddie Mac files annual, quarterly and current reports, proxy statements and other information with the SEC.

Any document that Freddie Mac files with the SEC may be read and copied at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. These SEC filings are also available to the public from the SEC's web site at <http://www.sec.gov>.

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

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

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

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

The Bank of New York Mellon Trust Company, N.A.

Location of Bank: _____

ABA Routing Number: _____

Account Number: _____

ARTICLE VI

DEFAULT AND REMEDIES

Section 6.1 *Events of Default.* Any one or more of the following acts or occurrences shall constitute an Event of Default hereunder:

(a) Failure by Freddie Mac to pay any amounts due under Section 3.1 or 3.2 when due; or

(b) Failure by Freddie Mac to perform or observe any of its covenants, agreements or obligations hereunder, except a failure described in (a) above, if the same shall remain uncured for a period of 45 days after written notice of such failure shall have been given by the Trustee to Freddie Mac; provided, however, that if such default is curable but requires acts to be done or conditions to be remedied which, by their nature, cannot be done or remedied within such 45-day period, no Event of Default shall be deemed to have occurred if Freddie Mac shall commence such acts or remedies within such 45-day period and thereafter, in the opinion of the Trustee, diligently pursue the same to completion; or

(c) any governmental authority shall require Freddie Mac to suspend its operations for more than three (3) Business Days (unless such requirement is applicable to corporate instrumentalities or financial institutions generally in the United States), or require the sale or transfer of all or substantially all of the assets of Freddie Mac.

Section 6.2 Remedies of Trustee. Upon the occurrence and continuance of any Event of Default by Freddie Mac hereunder, unless such Event of Default has been cured, the Trustee may take any one or more of the following steps, at its option:

(a) by action at law or in equity, require Freddie Mac to perform its covenants and obligations hereunder, or enjoin any acts which may be unlawful or in violation of the rights of the Trustee; and

(b) take whatever other action at law or in equity may appear necessary or desirable to enforce any monetary obligation of Freddie Mac hereunder, or to enforce any other obligations, covenant or agreement of Freddie Mac hereunder.

The above provisions are subject to the condition that if, after any Event of Default hereunder, all amounts which would then be payable hereunder by Freddie Mac if such Event of Default had not occurred and were not continuing, shall have been paid by or on behalf of Freddie Mac, and Freddie Mac shall have also performed all other obligations in respect of which it is then in default hereunder to the satisfaction of the Trustee, then such Event of Default may be waived and annulled, but no such waiver or annulment shall extend to or affect any subsequent Event of Default or impair any consequent right or remedy.

Section 6.3 Remedies Not Exclusive. No remedy conferred in this Agreement or reserved to the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 6.4 Restoration of Rights and Remedies. If the Trustee shall have instituted any proceeding to enforce any right or remedy under this Agreement and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the party instituting such proceeding, then and in every such case Freddie Mac, and the Trustee shall, subject to any determination in such proceeding, be restored to their former positions hereunder and thereafter all rights and remedies of the Trustee shall continue as though no such proceeding had been instituted.

ARTICLE VII

MISCELLANEOUS PROVISIONS

Section 7.1 Interest of Bondholders. The payments to be made by Freddie Mac hereunder are to be pledged by the Trustee to secure payment of the Purchase Price, principal or redemption price of and interest on the Bonds; provided that in no event shall Freddie Mac be obligated to pay the Purchase Price, principal or redemption price of and interest on Purchased Bonds.

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

Section 7.3 No Individual Liability. No covenant or agreement contained in this Agreement shall be deemed to be the covenant or agreement of any member of the Board of

Directors of Freddie Mac or any officer, agent, employee or representative of Freddie Mac, or the Trustee, in his or her individual capacity and none of such persons shall be subject to any personal liability or accountability by reason of the execution of this Agreement, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty, or otherwise.

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

To Freddie Mac: Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
Mail Stop B4F
McLean, Virginia 22102
Attention: Director of Multifamily Loan Servicing
Facsimile: (703) 714-3003
Telephone: (703) 903-2000

with a copy to: Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive
McLean, Virginia 22102
Attention: Associate General Counsel—
Multifamily Legal Department
Facsimile: (703) 903-2885
Telephone: (703) 903-2000

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

To the Trustee:

The Bank of New York Mellon Trust
Company, N.A.
601 Union Street, Suite 520
Seattle, WA 98101-2321
Attention: _____
Telephone: (____) - _____
Facsimile: (____) - _____
Attention:

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

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

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

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

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

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

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

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

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

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

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

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

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

[Signatures follow]

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

FEDERAL HOME LOAN MORTGAGE CORPORATION

By: _____
Name: _____
Title: _____

[Freddie Mac Signature Page to *Shadow Way* Credit Enhancement Agreement]

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

By: _____
Name: _____
Title: _____

[Trustee's Signature Page to *Shadow Way* Credit Enhancement Agreement]

EXHIBIT A-1

FORM OF NOTICE UNDER SECTION 3.1(A)(I)

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

Project Name: Shadow Way
Related Bonds: \$15,000,000 City of Oceanside Variable Rate Demand Multifamily
Housing Revenue Bonds (Shadow Way Apartments Project) Series 2008
CUSIP Number: [CUSIP NUMBER OF BONDS]
Loan No.: [_____]
Date of Notice: _____

CERTIFICATE FOR THE PAYMENT OF GUARANTEED PAYMENT

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

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

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

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

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

Authorized Signature: _____
Name: _____
Title: _____

EXHIBIT A-2

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

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

Project Name: Shadow Way
Related Bonds: \$15,000,000 City of Oceanside Variable Rate Demand Multifamily
Housing Revenue Bonds (Shadow Way Apartments Project) Series 2008
CUSIP Number: [CUSIP NUMBER OF BONDS]
Loan No.: [_____]
Date of Notice: _____

DEFICIENCY NOTICE

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

Settlement Date: _____, _____
Tendered Bonds for Purchase: \$ _____
Remarketing Proceeds Held by Tender Agent: (_____)

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

CREDIT ENHANCEMENT PAYMENT DATE: _____, _____

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

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

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

Authorized Signature: _____
Name: _____
Title: _____

EXHIBIT B

CERTIFICATE FOR REINSTATEMENT OF AVAILABLE AMOUNT

To: Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
Mail Stop B4Q
McLean, VA 22102
Attention: Multifamily Loan Accounting

\$15,000,000

CITY OF OCEANSIDE

VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS

(SHADOW WAY APARTMENTS PROJECT)

SERIES 2009

The undersigned, a duly authorized officer of The Bank of New York Mellon Trust Company, N.A., as Tender Agent (the "Tender Agent") under the Trust Indenture (the "Indenture") dated as of February 1, 2009 between the City of Oceanside and The Bank of New York Mellon Trust Company, N.A., as Trustee, pursuant to which the above-referenced Bonds have been issued, certifies as follows (the capitalized terms used in this Certificate and not defined in this Certificate shall have the meanings given to those terms in the Indenture or the Credit Enhancement Agreement (the "Credit Enhancement Agreement"), dated as of February 1, 2009, between Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Trustee, as applicable):

1. The Tender Agent is the Tender Agent under the Indenture for the holders of the Bonds.

2. On the date of this Certificate \$_____ aggregate principal amount of Bonds are being sold to purchasers upon a remarketing of such Bonds by the Remarketing Agent. All of such Bonds were previously purchased with moneys provided by Freddie Mac under the Credit Enhancement Agreement in the total amount of \$_____, of which \$_____ was provided in respect of principal of the Purchased Bonds and \$_____ was provided in respect of accrued interest on the Purchased Bonds. [Prior to the date of this Certificate there has been no reinstatement of the Available Amount with respect to amounts provided by Freddie Mac.]

3. The Tender Agent has received for immediate payment to [the Trustee for the account of] Freddie Mac in respect of the Bonds described in paragraph 2 of this Certificate the total amount of \$_____, consisting of \$_____ from the Remarketing Agent and \$_____ from the Borrower. Such total amount is being paid to Freddie Mac at the above address with reference to the Credit Enhancement Agreement, as reimbursement for amounts provided by Freddie Mac under the Credit Enhancement Agreement.

4. Of the total amount referred to in paragraph 3 of this Certificate, \$ _____ represents the aggregate principal amount of Bonds described in paragraph 2 of this Certificate and \$ _____ represents accrued interest on such Bonds.

5. Payment of the total amount referred to in paragraph 3 of this Certificate, together with other amounts previously paid to Freddie Mac by or on behalf of the Borrower, represents reimbursement for the entire outstanding balance of all amounts provided in respect of the Bonds described in paragraph 2 of this Certificate. The foregoing certification is made in reliance upon representations by the Borrower and/or Freddie Mac to the Tender Agent that, upon payment of such amounts, Freddie Mac will be fully reimbursed for the amount provided under the Credit Enhancement Agreement.

6. Pursuant to Section 3.1(b)(iv) of the Credit Enhancement Agreement, the Available Amount shall be automatically reinstated by an amount equal to \$ _____ (which does not exceed the aggregate amount provided by Freddie Mac under the Credit Enhancement Agreement to purchase such Bonds), of which \$ _____ (which does not exceed the aggregate amount provided by Freddie Mac under the Credit Enhancement Agreement as principal) is principal and \$ _____ (which does not exceed the aggregate amount provided by Freddie Mac under the Credit Enhancement Agreement as interest) is interest.

7. If this Certificate is initially presented by telex or telecopier, the original of this Certificate on the Tender Agent's letterhead manually signed by one of its officers is being mailed to you concurrently by first class United States mail.

IN WITNESS WHEREOF, the Tender Agent has executed and delivered this Certificate
this _____ day of _____, _____.

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Tender Agent**

By: _____
Name:
Title:

EXHIBIT C

FREDDIE MAC MULTIFAMILY

BOND WIRE INSTRUCTION CHANGE REQUEST FORM

Freddie Mac Internal Use:

Loan Accounting Approval

Date

MF Operations Approval

Date

Bond Trustee – Please complete all required (*) fields. This wire instruction change applies only to the Freddie Mac loan number(s) referenced below.

A. Trustee's Prior Wire Instructions:

Bond Property Name: Shadow Way

***Freddie Mac Loan Number(s):** _____

***Bank Name:** _____

***Bank City:** _____

***Bank State:** _____

***ABA Number:** _____

***Account Number:** _____

Further Credit Instructions:

Name of Final Credit Party: _____

Final Credit Party Account Number: _____

B. Trustee's New Wire Instructions:

Bond Property Name: _____

***Freddie Mac Loan Number(s):** _____

***Bank Name:** _____

***Bank City:** _____

***Bank State:** _____

***ABA Number:** _____

***Account Number:** _____

Further Credit Instructions:

Name of Final Credit Party: _____

Final Credit Party Account Number: _____

Effective Date of Notice: _____, *which date is at least five (5) Business Days after the date of this notice.*

As of the Effective Date set forth above, all wires of funds to the Trustee for the above-referenced Freddie Mac loan number(s) pursuant to the Wire Request System shall be transmitted using the new wire instructions set forth in this notice.

[EXHIBIT C CONTINUED ON FOLLOWING PAGE]

Trustee Authorized Signature:

The undersigned hereby represents and warrants to Freddie Mac that he/she is a duly appointed officer of the Trustee who is duly authorized to disseminate the Trustee's wire instructions, and to approve or sign wire requests in Freddie Mac's Wire Request System, all of which is evidenced by either (i) resolutions (in full force and effect on the date of the execution of this form) of the board of directors of the Trustee, a true, complete and correct copy of which is attached hereto, or (ii) an Incumbency Certificate (in full force and effect on the date of the execution of this form) in the form attached hereto as Schedule 1, which has been signed and sealed by the Secretary or Assistant Secretary of the Trustee, a true, complete and correct copy of which is attached hereto.

Trustee Name

Signatory's Printed Name

() _____
Signatory's Phone Number

Signature

Date

Signatory's Title

* This form is to be delivered to: Freddie Mac Multifamily, Loan Accounting Manager, 8100 Jones Branch Drive, Mail Stop B4Q, McLean, VA 22102 via overnight mail service.

SCHEDULE 1

to

Bond Wire Instruction Change Request Form

INCUMBENCY CERTIFICATE

The undersigned hereby certifies to the Federal Home Loan Mortgage Corporation (“Freddie Mac”) that I am the [Secretary / Assistant Secretary] of [NAME OF TRUSTEE] (the “Trustee”), a [national banking association], duly organized and existing under the laws of _____, and that, as such, I am duly authorized to execute this Incumbency Certificate on behalf of the Trustee; and I further certify that the following person, as of the date hereof, holds the office of the Trustee set opposite his or her name below, and that such person is duly authorized to disseminate the Trustee’s wire instructions, and to approve or sign wire requests in Freddie Mac’s Wire Request System:

Name: _____ Title: _____

WITNESS the official seal of the Trustee and the signature of the undersigned this ____ day of _____, 20__.

[Corporate Seal]

Print Name: _____

Title: [Secretary / Assistant Secretary]