

*In the opinion of Vinson & Elkins L.L.P. ("Bond Counsel"), assuming compliance with certain covenants and based on certain representations, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law (except with respect to interest on any Bond during any period while it is held by a "substantial user" of the Development or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended). Interest on the Bonds, however, is an item of tax preference includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations. See "TAX MATTERS" herein for a discussion of Bond Counsel's opinion.*

**\$14,000,000**

**Texas Department of Housing and Community Affairs  
Multifamily Housing Revenue Bonds  
(Windshire Apartments)  
Series 2007**

**CUSIP No.: 88275A BN9**

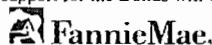
Dated: July 1, 2007

Price: 100%

Due: January 15, 2041

The Texas Department of Housing and Community Affairs (the "Issuer") is issuing its Multifamily Housing Revenue Bonds (Windshire Apartments) Series 2007 (the "Bonds") pursuant to a Trust Indenture, dated as of July 1, 2007 (the "Indenture"), by and between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee") to provide funding for a loan (the "Loan") to be made by the Issuer to Windshire Apartments, L.P., a Texas limited partnership (the "Borrower"). The proceeds of the Loan will be used (i) to finance the acquisition, construction and equipping of a 252-unit multifamily housing project (the "Development" or the "Mortgaged Property") to be located in Harris County, Texas and (ii) to fund a portion of capitalized interest on the Bonds. The Loan will be made pursuant to a Financing Agreement, dated as of July 1, 2007, by and among the Issuer, the Borrower and the Trustee.

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



pursuant to, and subject to the limitations of, the Credit Enhancement Instrument (the "Credit Facility") described herein. The Credit Facility may be replaced by an Alternate Credit Facility (as defined herein) and such replacement will cause a mandatory tender of the Bonds.

If the Conditions to Conversion set forth in the Construction Phase Financing Agreement, dated as of July 1, 2007, among the Credit Provider, the Construction Lender and the Loan Servicer (as defined herein) and acknowledged, accepted and agreed to by the Borrower, as such agreement may be amended, modified, supplemented or restated from time to time (the "Construction Phase Financing Agreement"), of the Loan from the Construction Phase to the Permanent Phase (as such terms are defined herein) are not satisfied (or waived by Fannie Mae) on or before January 15, 2010 (subject to extension in accordance with the terms of the Construction Phase Financing Agreement) (the "Termination Date"), the Bonds will be subject to mandatory redemption in whole, or purchase in lieu of redemption, at a price equal to the principal amount of the Bonds to be redeemed or purchased in lieu of redemption, plus accrued interest on the Bonds to the redemption date or purchase date, without premium. The price of any such redemption in whole or purchase in lieu of redemption will be paid with funds provided under the Credit Facility. If the Conditions to Conversion are timely satisfied (or to the extent not satisfied are waived by Fannie Mae), the Bonds will not be subject to redemption or purchase in lieu of redemption for failure of Conversion (as defined herein) to occur. There can be no assurance that Conversion will occur. In addition, if the principal amount of the Loan is prepaid in part by the Borrower prior to and as a condition to Conversion of the Loan from the Construction Phase to the Permanent Phase to reduce the principal amount of the Loan to an amount less than \$14,000,000 in order to satisfy Fannie Mae's underwriting requirements for the Loan, the Bonds will be subject to a corresponding mandatory redemption in an amount equal to such prepayment. See "THE BONDS — Redemption Provisions — Mandatory Redemption," "Purchase of Bonds in Lieu of Redemption," "SECURITY FOR THE BONDS — Credit Facility" and "BONDHOLDERS' RISKS."

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

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

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

So long as the Bonds bear interest at a Weekly Variable Rate, the registered owners of the Bonds will have the right to tender their Bonds for purchase to Wells Fargo Bank, National Association, as tender agent, on any Business Day upon seven days' written notice. The Bonds are also subject to mandatory tender and purchase on each proposed Adjustment Date and under certain other circumstances as provided in the Indenture and described herein. See "THE BONDS — Optional Tender — Optional Tender Dates" and "THE BONDS — Mandatory Tender and Purchase — Mandatory Tender Dates (Other Than Upon Default); Notice" and "Mandatory Tender Upon Default; Notice."

The Bonds are subject to optional redemption and mandatory redemption prior to maturity at the times and to the extent described herein. See "THE BONDS — Redemption Provisions."

There is no provision in the Bonds or the Indenture for an acceleration of the Bond indebtedness or payment of additional interest in the event interest on the Bonds is declared taxable or becomes taxable, unless Fannie Mae determines, at its option and in its sole and absolute discretion, to accelerate the Bonds. None of the Issuer, the Borrower or the Underwriter will be liable for any such payment whatsoever. See "BONDHOLDERS' RISKS — No Acceleration or Redemption upon Loss of Tax Exemption of the Bonds."

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

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

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

*The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Vinson & Elkins L.L.P., Bond Counsel. Certain legal matters will be passed upon for Fannie Mae by its Legal Department and by its Special Counsel, O'Melveny & Myers LLP and for the Borrower by its counsel, Coats, Rose, Yale, Ryman & Lee P.C., Houston, Texas. Certain legal matters will be passed on for the Underwriter by its counsel, Katten Muchin Rosenman LLP, Washington, DC. It is expected that the Bonds will be delivered through the facilities of DTC in New York, New York, on or about July 18, 2007.*

Dated: July 17, 2007

**Citi**

No dealer, broker, salesperson or other person has been authorized by the Issuer, the Borrower, Fannie Mae, the Underwriter or the Remarketing Agent (as such term is defined herein) to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by any or the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor will there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its 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 the completeness of such information.

The information in this Official Statement has been obtained from the Issuer, the Borrower, Fannie Mae and DTC and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriter, the Remarketing Agent, the Issuer, the Borrower or Fannie Mae, except as to the Issuer, with respect to the information under the captions "THE ISSUER" and "NO LITIGATION — The Issuer" herein and as to Fannie Mae, with respect to the description under the caption "FANNIE MAE" herein. In particular:

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

the Trustee has not provided or approved any information in this Official Statement and takes no responsibility for any information in this Official Statement.

The Borrower has not provided or approved any information in this Official Statement, except information under the captions "PLAN OF FINANCING," "THE PROJECT AND THE PRIVATE PARTICIPANTS" and "NO LITIGATION — The Borrower" and takes no responsibility for any other information contained in this Official Statement.

Fannie Mae has not provided or approved any information in this Official Statement except with respect to the description under the caption "FANNIE MAE," takes no responsibility for any other information contained in this Official Statement, and makes no representation as to the contents of this Official Statement (other than with respect to the description under the caption "FANNIE MAE"). Without limiting the foregoing, Fannie Mae makes no representation as to the suitability of the Bonds for any investor, the feasibility or performance of the Project, or compliance with any securities, tax or other laws or regulations. Fannie Mae's role with respect to the Bonds is limited to issuing the Fannie Mae Commitment described herein and providing the Credit Facility described herein to the Trustee.

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

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

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
THE ISSUER.....	4
THE BONDS.....	8
REMARKETING OF THE BONDS.....	17
SECURITY FOR THE BONDS.....	18
FANNIE MAE.....	19
PLAN OF FINANCING.....	20
THE PROJECT AND THE PRIVATE PARTICIPANTS.....	20
BONDHOLDERS' RISKS.....	23
THE LOAN SERVICER.....	26
TAX MATTERS.....	27
LEGAL MATTERS.....	29
NO LITIGATION.....	30
ENFORCEABILITY OF REMEDIES.....	30
CONTINUING DISCLOSURE.....	31
RATING.....	31
UNDERWRITING.....	32
MISCELLANEOUS.....	32
APPENDIX A – SUMMARY OF CERTAIN DEFINITIONS.....	A-1
APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE.....	B-1
APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT.....	C-1
APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT.....	D-1
APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT.....	E-1
APPENDIX F – PROPOSED FORM OF BOND COUNSEL OPINION.....	F-1
APPENDIX G – PROPOSED FORM OF THE CREDIT FACILITY.....	G-1

[This page intentionally left blank]

## OFFICIAL STATEMENT

relating to

**\$14,000,000**

**Texas Department of Housing and Community Affairs  
Multifamily Housing Revenue Bonds  
(Windshire Apartments)  
Series 2007**

### INTRODUCTION

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

#### **Issuance of Bonds**

This Official Statement and the Appendices hereto set forth certain information relating to the issuance by the Texas Department of Housing and Community Affairs (the “Issuer”), a public and official agency of the State of Texas (the “State”), of its \$14,000,000 Multifamily Housing Revenue Bonds (Windshire Apartments) Series 2007 (the “Bonds”). The Bonds are being issued pursuant to Chapter 2306, Texas Government Code, as amended (the “Act”), pursuant to a resolution of the Issuer adopted on June 14, 2007, and under a Trust Indenture, dated as of July 1, 2007 (the “Indenture”), between the Issuer and Wells Fargo Bank, National Association, a national banking association organized under the laws of the United States, as trustee (the “Trustee”).

The Bonds are being issued to provide funding for a mortgage loan (the “Loan”) to be made by the Issuer to Windshire Apartments, L.P., a Texas limited partnership (the “Borrower”), for the purpose of financing a portion of the costs of the acquisition, construction and equipping of a 252-unit multifamily residential rental housing project known as Windshire Apartments (the “Development”) located in Harris County, Texas. See “THE PROJECT AND THE PRIVATE PARTICIPANTS.” The Loan will be made pursuant to a Financing Agreement, dated as of July 1, 2007 (the “Financing Agreement”), among the Issuer, the Borrower and the Trustee, and in accordance with the requirements of Fannie Mae. The Loan will be evidenced by a multifamily note (the “Note”) executed by the Borrower in favor of the Issuer. The Note is a nonrecourse obligation of the Borrower subject to certain exceptions. The Note will be secured by, among other things, a first lien priority Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (the “Security Instrument”), from the Borrower, in favor of the Issuer and Fannie Mae. The Security Instrument will encumber the Development. On the date of issuance and delivery of the Bonds (the “Closing Date”), the Loan (including the Note and Security Instrument) will be assigned by the Issuer to the Trustee and Fannie Mae, as their interests may appear, pursuant to an Assignment and Intercreditor Agreement (the “Assignment”), dated as of July 1, 2007, by and among the Issuer, the Trustee and Fannie Mae, and acknowledged, accepted and agreed to by the Borrower, providing for the assignment of, and control over and exercise of certain rights and interests of the Issuer relating to (among other things), the Loan, the Note and the Security Instrument (collectively, the “Assigned Rights”) to the Trustee and Fannie Mae, and their respective successors and assigns, as their interests may appear. Pursuant to the Assignment, Fannie Mae has the exclusive right to exercise all

rights and remedies (other than Reserved Rights) under the Note, the Security Instrument, each of the other Loan Documents and the Financing Agreement (collectively, the "Assigned Documents"). Fannie Mae also has the right at any time, upon filing with the Trustee a certification reaffirming Fannie Mae's obligations under the Credit Facility, to direct the Trustee to assign the Note, the Security Instrument and the other Loan Documents to Fannie Mae.

The Loan will be made by the Issuer in accordance with the requirements of Fannie Mae and subject to the terms and conditions of a commitment (the "Fannie Mae Commitment"), issued by Fannie Mae to Citibank, N.A., a national banking association (the "Loan Servicer"). Pursuant to the Fannie Mae Commitment, Fannie Mae has agreed, subject to satisfaction of the terms and conditions of the Fannie Mae Commitment, to provide credit enhancement and liquidity support for the Bonds pursuant to, and subject to the limitations of, a Credit Enhancement Instrument (the "Credit Facility," the substantially final form of which is attached as APPENDIX G hereto). The obligation of the Borrower to reimburse Fannie Mae for any funds provided by Fannie Mae under the Credit Facility will be set forth in a Reimbursement Agreement, dated as of July 1, 2007 (the "Reimbursement Agreement"), between the Borrower and Fannie Mae. See "SECURITY FOR THE BONDS — Credit Facility" and APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT."

Fannie Mae will have no obligation under the Credit Facility to pay premium, if any, on the Bonds. Fannie Mae's obligation to make payments under the Credit Facility will be absolute, unconditional and irrevocable. See "SECURITY FOR THE BONDS — Credit Facility." Such obligation will be a general, unsecured obligation of Fannie Mae. If Fannie Mae fails to perform such obligation, the Trustee would receive only payments and other recoveries on the Loan itself, and a delinquency or default on the Loan at that time would seriously and adversely affect monthly payments to the Trustee.

Fannie Mae's credit enhancement of the Bonds will not extend beyond the Construction Phase (as defined in the Construction Phase Financing Agreement, dated as of July 1, 2007, among the Credit Provider, the Construction Lender and the Loan Servicer and acknowledged, accepted and agreed to by the Borrower, as such agreement may be amended, modified, supplemented or restated from time to time (the "Construction Phase Financing Agreement"), unless the Conditions to Conversion (as described below) set forth in the Construction Phase Financing Agreement are satisfied on or before January 15, 2010, subject to extension in accordance with the Construction Phase Financing Agreement (the "Termination Date") (or, to the extent not satisfied, are waived by Fannie Mae).

If the Conditions to Conversion (as described in the succeeding paragraph) set forth in the Construction Phase Financing Agreement are satisfied on or before the Termination Date (or, to the extent not satisfied, are waived by Fannie Mae) the Loan Servicer is, on or before the Termination Date, to issue a written notice (the "Conversion Notice"), in which event the Loan will convert ("Conversion") from the Construction Phase to the Permanent Phase (as each such term is defined in the Construction Phase Financing Agreement) and Fannie Mae's participation in the financing will continue. If, however, the Conditions to Conversion are not satisfied on or before the Termination Date (or, to the extent not satisfied, are not waived by Fannie Mae) with the result that the Loan Servicer fails to issue a Conversion Notice on or before the Termination Date, the Loan will not convert from the Construction Phase to the Permanent Phase, and the Bonds will be subject to mandatory redemption in whole. Any such mandatory redemption will be at a redemption price equal to the principal amount of the Bonds plus accrued interest to the Redemption Date. No such redemption will be made at a premium. In the event of such a mandatory redemption in whole, the redemption price is to be paid with funds provided under the Credit Facility. The Credit Facility will then terminate in accordance with its terms. Alternatively, in lieu of such redemption, the Bonds may be purchased by the Trustee for the account of the Construction Lender. See "THE BONDS — Redemption Provisions — Mandatory Redemption — Failure of Conversion or Borrower Default" and "— Special Purchase in Lieu of Redemption." In either case, the Bondholders will be required to deliver their Bonds for redemption or purchase, as the case may be. Subject to

rights and remedies (other than Reserved Rights) under the Note, the Security Instrument, each of the other Loan Documents and the Financing Agreement (collectively, the "Assigned Documents"). Fannie Mae also has the right at any time, upon filing with the Trustee a certification reaffirming Fannie Mae's obligations under the Credit Facility, to direct the Trustee to assign the Note, the Security Instrument and the other Loan Documents to Fannie Mae.

The Loan will be made by the Issuer in accordance with the requirements of Fannie Mae and subject to the terms and conditions of a commitment (the "Fannie Mae Commitment"), issued by Fannie Mae to Citibank, N.A., a national banking association (the "Loan Servicer"). Pursuant to the Fannie Mae Commitment, Fannie Mae has agreed, subject to satisfaction of the terms and conditions of the Fannie Mae Commitment, to provide credit enhancement and liquidity support for the Bonds pursuant to, and subject to the limitations of, a Credit Enhancement Instrument (the "Credit Facility," the substantially final form of which is attached as APPENDIX G hereto). The obligation of the Borrower to reimburse Fannie Mae for any funds provided by Fannie Mae under the Credit Facility will be set forth in a Reimbursement Agreement, dated as of July 1, 2007 (the "Reimbursement Agreement"), between the Borrower and Fannie Mae. See "SECURITY FOR THE BONDS — Credit Facility" and APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT."

Fannie Mae will have no obligation under the Credit Facility to pay premium, if any, on the Bonds. Fannie Mae's obligation to make payments under the Credit Facility will be absolute, unconditional and irrevocable. See "SECURITY FOR THE BONDS — Credit Facility." Such obligation will be a general, unsecured obligation of Fannie Mae. If Fannie Mae fails to perform such obligation, the Trustee would receive only payments and other recoveries on the Loan itself, and a delinquency or default on the Loan at that time would seriously and adversely affect monthly payments to the Trustee.

Fannie Mae's credit enhancement of the Bonds will not extend beyond the Construction Phase (as defined in the Construction Phase Financing Agreement, dated as of July 1, 2007, among the Credit Provider, the Construction Lender and the Loan Servicer and acknowledged, accepted and agreed to by the Borrower, as such agreement may be amended, modified, supplemented or restated from time to time (the "Construction Phase Financing Agreement"), unless the Conditions to Conversion (as described below) set forth in the Construction Phase Financing Agreement are satisfied on or before January 15, 2010, subject to extension in accordance with the Construction Phase Financing Agreement (the "Termination Date") (or, to the extent not satisfied, are waived by Fannie Mae).

If the Conditions to Conversion (as described in the succeeding paragraph) set forth in the Construction Phase Financing Agreement are satisfied on or before the Termination Date (or, to the extent not satisfied, are waived by Fannie Mae) the Loan Servicer is, on or before the Termination Date, to issue a written notice (the "Conversion Notice"), in which event the Loan will convert ("Conversion") from the Construction Phase to the Permanent Phase (as each such term is defined in the Construction Phase Financing Agreement) and Fannie Mae's participation in the financing will continue. If, however, the Conditions to Conversion are not satisfied on or before the Termination Date (or, to the extent not satisfied, are not waived by Fannie Mae) with the result that the Loan Servicer fails to issue a Conversion Notice on or before the Termination Date, the Loan will not convert from the Construction Phase to the Permanent Phase, and the Bonds will be subject to mandatory redemption in whole. Any such mandatory redemption will be at a redemption price equal to the principal amount of the Bonds plus accrued interest to the Redemption Date. No such redemption will be made at a premium. In the event of such a mandatory redemption in whole, the redemption price is to be paid with funds provided under the Credit Facility. The Credit Facility will then terminate in accordance with its terms. Alternatively, in lieu of such redemption, the Bonds may be purchased by the Trustee for the account of the Construction Lender. See "THE BONDS — Redemption Provisions — Mandatory Redemption — Failure of Conversion or Borrower Default" and "— Special Purchase in Lieu of Redemption." In either case, the Bondholders will be required to deliver their Bonds for redemption or purchase, as the case may be. Subject to

compliance with certain requirements set forth in the Construction Phase Financing Agreement, Fannie Mae may grant an extension of the Termination Date.

The Conditions to Conversion include, but are not limited to, completion of construction of the Project and the achievement of a specified level of occupancy from the leasing of units in the Project. No assurance can be given that all of the Conditions to Conversion will be satisfied or that other events or circumstances may or may not occur as a result of which Conversion will not occur. See “BONDHOLDERS’ RISKS – Failure to Satisfy Conditions to Conversion.” In addition, even if Conversion occurs, no assurance can be given that the principal amount of the Loan, as finally determined in accordance with the Construction Phase Financing Agreement, will not be less than the original principal amount of the Loan; if the principal amount of the Loan, as finally determined in accordance with the Construction Phase Financing Agreement, is less than the original principal amount of the Loan, the principal amount of the Loan must, as a Condition to Conversion, be reduced by the Borrower’s prepayment of the Loan in part (a “Pre-Conversion Loan Equalization Payment”). Upon such prepayment, a corresponding portion of the Bonds will be subject to mandatory redemption. Any such mandatory redemption will be at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the Redemption Date. No such redemption will be made at a premium. If such prepayment in part is required as a Condition to Conversion and is not made, Conversion will not occur and the Bonds will be subject to mandatory redemption in whole, as described above. See “THE BONDS — Redemption Provisions — Mandatory Redemption — Pre-Conversion Loan Equalization” and “BONDHOLDERS’ RISKS — Reduction in Authorized Loan Amount.”

Prior to Conversion, Bank of America, N.A. (the “Construction Lender”) will issue a letter of credit acceptable to Fannie Mae (the “Letter of Credit”) pursuant to the terms of the Construction Phase Financing Agreement; the Letter of Credit will be available to Fannie Mae to protect it against risk of loss during the Construction Phase. Certain events concerning the Construction Lender, the Construction Phase Financing Agreement and the Letter of Credit may result in the prepayment of the Loan and a corresponding mandatory redemption of the Bonds. See “THE BONDS — Redemption Provisions — Mandatory Redemption — Failure of Conversion or Borrower Default” and “BONDHOLDERS’ RISKS — Construction Lender.”

In order to assure compliance with the applicable provisions of the Code, the Regulatory and Land Use Restriction Agreement, dated as of July 1, 2007, among the Issuer, the Borrower and the Trustee (the “Regulatory Agreement”) requires that at least 40% of the residential rental units in the Project be occupied by persons and families whose incomes satisfy certain provisions of the Code. See APPENDIX D — “SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT.”

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

NOTWITHSTANDING ANYTHING CONTAINED IN THE INDENTURE TO THE CONTRARY, ANY OBLIGATION WHICH THE ISSUER MAY INCUR UNDER THE INDENTURE OR UNDER ANY INSTRUMENT EXECUTED IN CONNECTION THEREWITH WHICH SHALL ENTAIL THE EXPENDITURE OF MONEY SHALL NOT BE A GENERAL OBLIGATION OF THE ISSUER BUT SHALL BE A SPECIAL LIMITED OBLIGATION PAYABLE SOLELY FROM THE TRUST ESTATE. THE BONDS SHALL CONSTITUTE A VALID CLAIM OF THE RESPECTIVE BONDHOLDERS THEREOF AGAINST THE TRUST ESTATE, WHICH IS PLEDGED TO SECURE



THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS AND WHICH SHALL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THE INDENTURE. THE BONDS, TOGETHER WITH INTEREST THEREON, SHALL BE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER GIVING RISE TO NO CHARGE AGAINST THE ISSUER'S GENERAL CREDIT AND PAYABLE SOLELY FROM, AND CONSTITUTE CLAIMS OF THE BONDHOLDERS THEREOF AGAINST ONLY, THE TRUST ESTATE. THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE DEBT OF THE ISSUER (EXCEPT TO THE EXTENT OF THE TRUST ESTATE), THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON, NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THERETO. THE ISSUER HAS NO TAXING POWER.

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

Summaries of the Indenture, the Financing Agreement, the Regulatory Agreement, the Reimbursement Agreement and the proposed form of the Credit Facility are attached as Appendices to this Official Statement. All references herein to the Indenture, the Financing Agreement, the Regulatory Agreement, the Credit Facility, the Reimbursement Agreement and all other documents and agreements are qualified in their entirety by reference to such documents and agreements, and all references to the Bonds are qualified by reference to the form thereof included in the Indenture, copies of which are available for inspection at the corporate trust office of the Trustee.

## THE ISSUER

### General

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

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

out all covenants with respect to any bonds outstanding, including the payment of any bonds from the sources provided in the proceedings authorizing such bonds.

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

### **Organization and Membership**

Governing Board. The Issuer is governed by a governing board (the “Board”) consisting of seven public members, appointed by the Governor, with the advice and consent of the State Senate. Board members hold office for six-year staggered terms. Each member serves until his or her successor is appointed and qualified. Each member is eligible for reappointment. Members serve without compensation, but are entitled to reimbursement for actual expenses incurred in performing their duties of office. The Act requires the Governor to make appointments so that the places on the Board are occupied by persons who have a demonstrated interest in issues related to housing and support services and who broadly reflect the geographic, economic, cultural, and social diversity of the State, including ethnic minorities, persons with disabilities, and women. The Governor designates a member of the Board to serve as the presiding officer (the “Chair”) of the Board at the pleasure of the Governor. The Chair presides at all meetings and performs such other duties as may be prescribed from time to time by the Board and by the Act. In addition, the members of the Board elect one of its members as assistant presiding officer (the “Vice Chair”) to perform the duties of the Chair when the Chair is not present or is incapable of performing such duties. The Board also elects a Secretary and a Treasurer (which offices may be held by one individual and neither office holder is required to be a Board member) to perform the duties prescribed by the Board.

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

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

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

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

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

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

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

All of the above Board members have been appointed by the Governor and confirmed by the State Senate, except for Sonny Flores and Gloria L. Ray. Texas law requires that confirmations of any such appointment be considered at the next legislative session, whether regular or special. One position

currently remains vacant. Any Board member whose term has expired continues to serve until his or her successor has been appointed.

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

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

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

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

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

ROBBYE MEYER, Director of Multifamily Finance Production. Ms. Meyer joined the Issuer in May 2001 as the Multifamily Bond Specialist in the Multifamily Bond Program Division. She was reclassified as the Multifamily Bond Administrator when the Issuer was reorganized in 2003. Ms. Meyer was named Manager of Multifamily Finance Production in April of 2005 and was subsequently named Director of Multifamily Production in September, 2006. As Director, she is responsible for the

application, review, allocation, award, and closing on all multifamily funding sources and the Issuer including multifamily revenue bonds, low income housing tax credits, preservation funds, the Housing Trust Fund, and HOME funds.

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

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

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

THE BONDS, TOGETHER WITH INTEREST THEREON, ARE SPECIAL AND LIMITED OBLIGATIONS SOLELY OF THE ISSUER PAYABLE FROM THE REVENUES, RECEIPTS AND SECURITY PLEDGED THEREFOR UNDER THE INDENTURE. NONE OF THE UNITED STATES OF AMERICA, THE STATE, THE ISSUER, OR ANY OTHER POLITICAL SUBDIVISION OR BODY CORPORATE AND POLITIC OF THE STATE OR ANY AGENCY OF THE UNITED STATES OF AMERICA OR ANY ISSUER THEREOF, WILL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER OF THE ISSUER, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS WILL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF THE UNITED STATES OF AMERICA, THE STATE, THE ISSUER, OR ANY OTHER POLITICAL SUBDIVISION OR BODY CORPORATE AND POLITIC OF THE STATE, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. THE BONDS ARE NOT AN OBLIGATION, DEBT OR LIABILITY OF THE STATE, AND DO NOT CREATE OR CONSTITUTE A PLEDGE, GIVING OR LENDING OF THE FAITH, CREDIT, OR TAXING POWER OF THE STATE.

#### **Other Indebtedness of the Issuer**

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

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

## THE BONDS

*This Official Statement describes the Bonds only during the initial Weekly Variable Rate Period for the Bonds.*

### General

The Bonds are dated and will mature on the date set forth on the cover hereof. Pursuant to the Indenture, interest on the Bonds will be payable to the registered owners thereof, as of the Record Date, in accordance with the terms set forth in the Indenture, on each Interest Payment Date. The Bonds will bear interest at the initial rate of interest as determined in connection with the initial offering of the Bonds from the Closing Date through and including July 25, 2007, and thereafter the Bonds are to bear interest at the Weekly Variable Rate until the interest rate on the Bonds is adjusted to a Reset Rate or a Fixed Rate. The interest rate on the Bonds will be determined by Citigroup Global Markets Inc., or its successor as remarketing agent (the "Remarketing Agent"), not later than 4:00 p.m. Eastern time on each Rate Determination Date. The Weekly Variable Rate will be the minimum rate of interest necessary, in the professional judgment of the Remarketing Agent, taking into consideration prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds at par plus accrued interest on the Bonds on the first day of the Week for which such Weekly Variable Rate was determined. The Weekly Variable Rate so determined will be effective for the Week for which such rate was determined. The Remarketing Agent will provide notice of the Weekly Variable Rate before 5:00 p.m. Eastern time on the Rate Determination Date by telephone to any Beneficial Owner upon request and to the Trustee, the Loan Servicer and the Construction Lender, and not later than the next Business Day to the other Remarketing Notice Parties by Electronic Means. During the Weekly Variable Rate Period, interest will accrue on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed.

If the Remarketing Agent fails or refuses to determine the Weekly Variable Rate applicable for any Week, the interest rate to be borne by the Bonds during such Week will be the latest SIFMA Index Rate published on or before the Rate Determination Date, or, in the event the SIFMA Index Rate is no longer published, the last Weekly Variable Rate determined by the Remarketing Agent.

The interest rate on the Bonds may not exceed the Maximum Rate.

### Adjustment of the Interest Rate on the Bonds

At the option of the Borrower, the interest rate on all Outstanding Bonds may be adjusted on any Interest Payment Date from the Weekly Variable Rate to a Reset Rate. Each such adjustment is subject to the satisfaction of the conditions precedent set forth in the Indenture, including, but not limited to (a) not less than 45 days before the proposed Reset Date the Borrower delivers written notice to the other Remarketing Notice Parties of the proposed adjustment and the duration of the Reset Period to commence on such Reset Date, which notice must be accompanied by the written preliminary consent of the Credit Provider, and (b) not less than 30 days before the proposed Reset Date the Trustee gives written notice to the Bondholders stating, among other things, that all Bonds are subject to Mandatory Tender and purchase on the proposed Reset Date. The Indenture also requires that on or prior to the proposed Reset Date there be delivered by the Borrower (i) to the Trustee and the Loan Servicer, the written consent of the Credit Provider, and (ii) to the other Remarketing Notice Parties, a Favorable Opinion of Bond Counsel.

At the option of the Borrower, the interest rate on all Outstanding Bonds may be adjusted to the Fixed Rate from the Weekly Variable Rate on any Interest Payment Date designated by the Borrower. Each adjustment is subject to satisfaction of conditions precedent set forth in the Indenture, including, but not limited to (a) written notice, not less than 45 days before the proposed Fixed Rate Adjustment Date, from the Borrower to the other Remarketing Notice Parties, which notice must designate the proposed Fixed Rate Adjustment Date and be accompanied by the written preliminary consent of the Credit Provider, and (b) written notice, not less than 30 days before the proposed Fixed Rate Adjustment Date, from the Trustee to the Bondholders stating, among other things, that all Bonds (except Excluded Bonds) are subject to Mandatory Tender and purchase as provided in the Indenture. Among other things, the Indenture also requires that on or prior to the proposed Fixed Rate Adjustment Date there be delivered by the Borrower (i) to the Trustee, the written consent of the Credit Provider or a written waiver from the Issuer of the requirement for a Credit Facility during the Fixed Rate Period, and (ii) to the other Remarketing Notice Parties, a Favorable Opinion of Bond Counsel.

The Bonds are subject to Mandatory Tender and purchase on each Adjustment Date, as set forth in, and in accordance with, the Indenture. See “THE BONDS — Mandatory Tender and Purchase — Mandatory Tender Dates (Other Than Upon Default); Notice” and “Mandatory Tender Upon Default; Notice” below. The Indenture states that at least 30 days prior to the Adjustment Date, the Trustee will give notice to Bondholders of the proposed Adjustment Date and that all Bonds are thereupon subject to Mandatory Tender and purchase.

### **Redemption Provisions**

The Bonds are subject to redemption prior to maturity only as set forth in the Indenture and as summarized below. All redemptions must be in Authorized Denominations.

Optional Redemption. The Bonds are subject to optional redemption in whole or in part upon optional prepayment of the Loan by the Borrower on any Interest Payment Date within a Weekly Variable Rate Period and on any Adjustment Date at a redemption price equal to 100% of the principal amount redeemed plus accrued interest, if any, to the Redemption Date.

Mandatory Redemption. The Bonds are subject to mandatory redemption on the earliest practicable Redemption Date for which timely notice of redemption can be given as described under “Notice of Redemption” below following the occurrence of the event requiring such redemption. The principal of and accrued interest on any Bond being mandatorily redeemed will be paid from an Advance under the Credit Facility. Bonds will be redeemed at a redemption price equal to 100% of the principal amount of such Bonds plus accrued interest to the Redemption Date.

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

*After an Event of Default under the Reimbursement Agreement.* The Bonds will be redeemed in whole or in part in an amount specified by and at the direction of the Credit Provider requiring that the Bonds be redeemed as described in this paragraph following any Event of Default under the Reimbursement Agreement. The Redemption Date will be the earliest practicable date, but in no event will such redemption occur later than two Business Days prior to the date, if any, that the Credit Facility terminates on account of the Credit Provider’s giving of written direction to the Trustee to redeem all of the Bonds.

*Principal Reserve Fund.* The Bonds will be redeemed in whole or in part as follows: (a) on each Adjustment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Adjustment Date to the Redemption Account of the Revenue Fund in accordance

with the Indenture; and (b) on any Interest Payment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Interest Payment Date to the Redemption Account as provided in the Indenture. See APPENDIX B: “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE — Principal Reserve Fund.”

*Pre-Conversion Loan Equalization.* The Bonds will be redeemed in part in the event the Borrower makes a Pre-Conversion Loan Equalization Payment. The principal amount of Bonds to be redeemed will be the amount prepaid by the Borrower or, if such amount is not an integral multiple of an Authorized Denomination, the next lowest integral multiple of an Authorized Denomination to the amount prepaid.

*Failure of Conversion or Borrower Default.* The Bonds will be redeemed in whole if the Credit Provider notifies the Trustee that (a) the Conditions to Conversion have not been satisfied on or prior to the Termination Date, or (b) a Borrower Default (as defined under the Construction Phase Financing Agreement) has occurred, or (c) the Construction Lender has directed Fannie Mae to draw on the Letter of Credit due to an event of default by the Borrower under the Construction Phase Reimbursement Agreement. The Bonds will also be redeemed in whole at the time and as otherwise required by the Indenture, if the Trustee purchases the Bonds for the account of the Construction Lender. See “Special Purchase in Lieu of Redemption” below.

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

## **Optional Tender**

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

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

described under “Optional Tender” above will also be binding on any transferee of the Beneficial Owner making such election.

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

Untendered Bonds. If after delivery of an Optional Tender Notice to the Tender Agent the holder making such election fails to deliver any of the Bonds described in the Optional Tender Notice as required by the Indenture, each untendered Bond or portion of such untendered Bond (“Untendered Bond”) described in such Optional Tender Notice will be deemed to have been tendered to the Tender Agent for purchase, to the extent that there is on deposit in the Bond Purchase Fund on the applicable purchase date an amount sufficient to pay the purchase price of such Untendered Bond, and such Untendered Bond from and after such purchase date will cease to bear interest and no longer be considered to be Outstanding. The Trustee will promptly give notice by registered or certified first class mail, postage prepaid, to each Beneficial Owner of any Bond which has been deemed to have been purchased pursuant to the Indenture, stating that interest on such Untendered Bond ceased to accrue from and after the date of purchase and that moneys representing the purchase price of such Untendered Bond are available against delivery of such Untendered Bond at the Designated Office of the Tender Agent.

Payment and Sources of Purchase Price. The Tender Agent will make payment for any Tendered Bond to the Registered Owner at or before 4:00 p.m. Eastern time on the date for purchase specified in the Optional Tender Notice, first from remarketing proceeds on deposit in the Bond Purchase Fund, second, from proceeds of a payment under the Credit Facility, and third, from the Borrower.

### **Mandatory Tender and Purchase**

Mandatory Tender Dates (Other Than Upon Default); Notice. The holders of the Bonds will be required to tender their Bonds to the Tender Agent for purchase by the Trustee acting on behalf of and as agent for the Borrower on each Mandatory Tender Date, but solely from the sources described under “Payment and Sources of Purchase Price” below, at a purchase price equal to 100% of the principal amount of the Bonds plus accrued interest to the applicable Mandatory Tender Date. The Owner of any Bond may not elect to retain its Bond. Mandatory Tender Dates include each Adjustment Date (even if a proposed change in Mode fails to occur), each Extension Date (unless the Trustee receives an extension of, as the case may be, the Liquidation Expiration Date or an Alternate Credit Facility prior to the Extension Date in which case such Extension Date will not be a Mandatory Tender Date), and each Substitution Date. The Trustee will give notice of Mandatory Tender Dates as follows: (a) not less than 30 days before any proposed Adjustment Date, the Trustee will give notice by first class mail, postage prepaid, to the Bondholders stating the information required to be set forth in notices pursuant to the applicable provisions of the Indenture; (b) not less than ten days before any Substitution Date, the Trustee will give notice by first class mail, postage prepaid, to the Bondholders stating (i) an Alternate Credit Facility will be substituted for the Credit Facility then in effect, (ii) the Substitution Date, (iii) that the Bonds are required to be tendered on the Substitution Date and (iv) that Bondholders will not have the right to elect to retain their Bonds; (c) so long as the initial Credit Facility is in effect, not less than ten days before any Extension Date, if the Trustee has not received an extension of the Liquidity Expiration Date of the Credit Facility or a binding commitment from Fannie Mae to extend the Liquidity Expiration Date of the Credit Facility, the Trustee will give notice by first class mail, postage prepaid, to the Bondholders and the Remarketing Agent stating (i) the Extension Date and that no extension or commitment to extend the Liquidity Expiration Date then in effect has been received by the Trustee,



(ii) that such Bonds are required to be tendered on the Extension Date, (iii) that the Bondholders will not have the right to elect to retain such Bonds if the Liquidity Expiration Date is not extended and (iv) that such Bonds will not be required to be so tendered if the Trustee receives an extension of the Liquidity Expiration Date prior to the Extension Date; and (d) not less than ten days before any Extension Date, if the Trustee has not received a binding commitment to extend the Alternate Credit Facility then in effect, the Trustee will give notice by first class mail, postage prepaid, to the Bondholders stating (i) the Extension Date and that no commitment to extend the Alternate Credit Facility then in effect has been received by the Trustee, (ii) that such Bonds are required to be tendered on the Extension Date (unless an extension of the Alternate Credit Facility then in effect is received prior to the Extension Date, notice of which will be given promptly to the Bondholders), and (iii) that the Bondholders will not have the right to elect to retain their Bonds if an extension of the Alternate Credit Facility then in effect is not received prior to the Extension Date.

Mandatory Tender Upon Default; Notice. The Bonds are subject to Mandatory Tender upon receipt by the Trustee of written notice from the Credit Provider stating that an Event of Default under the Reimbursement Agreement has occurred and directing that the Bonds be subject to Mandatory Tender. Such Mandatory Tender will be made on the earliest practicable date, after notice of tender has been given to Bondholders and will be payable solely from the sources described under “Payment and Sources of Purchase Price” below at a purchase price equal to 100% of the principal amount of the Bonds plus accrued interest to the Mandatory Tender Date. The Owner of any Bond may not elect to retain its Bond. Immediately upon receipt by the Trustee of such written notice from the Credit Provider, the Trustee will give notice by first class mail, postage prepaid, to the Owners of the Bonds stating that (a) such event has occurred, (b) the Bonds are required to be tendered on the Mandatory Tender Date specified in such notice, and (c) the Bondholders will not have the right to elect to retain their Bonds.

Untendered Bonds. Any Bond which is not tendered on a Mandatory Tender Date (“Untendered Bond”) will be deemed to have been tendered to the Tender Agent as of such Mandatory Tender Date, and, from and after such Mandatory Tender Date, will cease to bear interest and no longer will be considered to be Outstanding. In the event of a failure by the Owners to deliver Bonds on the Mandatory Tender Date, such Owners will not be entitled to any payment (including any interest to accrue from and after the Mandatory Tender Date) other than the purchase price for such Untendered Bond, and any Untendered Bond will no longer be entitled to the benefits of the Indenture, except for the purpose of payment of the purchase price for such Untendered Bond.

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

### **Notice of Redemption**

For any redemption of Bonds described above under “Redemption Provisions” (other than a redemption of Bonds described under “Mandatory Redemption — After an Event of Default under the Reimbursement Agreement”), the Trustee will give notice of redemption by first class mail, postage prepaid, not less than ten days prior to the specified Redemption Date, to the Registered Owner of each Bond to be redeemed at the address of such Registered Owner as shown on the Bond Register. With respect to Book-Entry Bonds, if the Trustee sends notice of redemption to the Securities Depository pursuant to the Letter of Representations, the Trustee will not be required to give the notice set forth in the immediately preceding sentence. In addition, in the case of an optional redemption of Bonds, the

notice of redemption will state that it is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Bonds and sufficient Available Moneys to pay any redemption premium in full (“Conditional Redemption”), and such notice and optional redemption will be of no effect if either (a) by no later than the scheduled redemption date, sufficient moneys to redeem the Bonds and sufficient Available Moneys to pay any redemption premium have not been deposited with the Trustee, or if such moneys are deposited, are not available on the redemption date, or (b) the Trustee at the direction of the Credit Provider rescinds such notice on or prior to the scheduled redemption date. In the case of a redemption of the Bonds described under “After an Event of Default under the Reimbursement Agreement” above, the Trustee will give immediate notice of redemption.

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

If notice of redemption is given as provided in the second preceding paragraph, failure of any Bondholder to receive such notice, or any defect in the notice, will not affect the redemption or the validity of the proceedings for the redemption of the Bonds.

### **Redemption Payments**

If notice of redemption has been given and the conditions for such redemption, if applicable, have been met, the Bonds called for redemption will become due and payable on the Redemption Date, interest on those Bonds will cease to accrue from and after the Redemption Date and the called Bonds will no longer be Outstanding. The holders of the Bonds so called for redemption will thereafter no longer have any security or benefit under the Indenture except to receive payment of the redemption price for such Bonds upon surrender of such Bonds to the Trustee. All moneys held by or on behalf of the Trustee for the redemption of particular Bonds will be held in trust for the account of the holders of the Bonds to be redeemed.

### **Selection of Bonds to be Redeemed Upon Partial Redemption**

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

### **Purchase of Bonds in Lieu of Redemption**

If the Bonds are called for redemption in whole or in part, the Bonds called for redemption may be purchased in lieu of redemption as described below.

Purchase in lieu of redemption will be available for all of the Bonds called for redemption or for such lesser portion of such Bonds as constitute Authorized Denominations. The Credit Provider or the

Borrower with the written consent of the Credit Provider may direct the Trustee to purchase all or such lesser portion of the Bonds so called for redemption.

Any such direction to the Trustee must: (a) be in writing; (b) state either that all of the Bonds called for redemption are to be purchased or, if less than all of the Bonds called for redemption are to be purchased, identify those Bonds to be purchased by maturity date and outstanding principal amount in Authorized Denominations; (c) be received by the Trustee no later than 12:00 noon one Business Day prior to the Redemption Date; and (d) be accompanied by a Favorable Opinion of Bond Counsel.

If so directed, the Trustee will purchase such Bonds on the date which otherwise would be the Redemption Date. All Bonds so purchased will for all purposes be regarded as Outstanding under the Indenture, except as expressly provided in the Indenture; provided that, if such direction is not accompanied by a Favorable Opinion of Bond Counsel, such direction to purchase will have no force or effect and will be disregarded by the Trustee. Any of the Bonds called for redemption that are not purchased in lieu of redemption will be redeemed as otherwise required by the Indenture on the Redemption Date.

On or prior to the scheduled Redemption Date, any direction given to the Trustee to purchase Bonds as described above or any consent given by the Credit Provider to such a direction may be withdrawn by written notice to the Trustee. Subject generally to the Indenture, should a direction to purchase or the consent of the Credit Provider be withdrawn, the scheduled redemption of such Bonds will occur.

The purchase price of the Bonds will be equal to the outstanding principal of, accrued and unpaid interest on and the redemption premium, if any, which would have been payable on such Bonds on the Redemption Date for such redemption.

### **Special Purchase in Lieu of Redemption**

Purchase Option. If all Bonds Outstanding are called for redemption in whole as described under “Redemption Provisions – Mandatory Redemption – Failure of Conversion or Borrower Default” at any time that the Letter of Credit is in effect, the Bonds may, in lieu of such redemption, be purchased (“Special Purchase Bonds”) by the Trustee, at the written direction of the Construction Lender to the Trustee, for the account of the Construction Lender; provided, that in addition to such direction to the Trustee, the Construction Lender must deliver to the Issuer and the Trustee a Favorable Opinion of Bond Counsel. Any purchase of Bonds pursuant to this paragraph will be in whole and not in part. Such purchase will be made on the date the Bonds are otherwise scheduled to be redeemed (“Special Purchase Date”). The purchase price of the Special Purchase Bonds (“Special Purchase Price”) will be equal to the principal amount of the Special Purchase Bonds, plus accrued interest, if any, on the Special Purchase Bonds to the Special Purchase Date. The payment source will consist solely of funds to be advanced by the Credit Provider under the Credit Facility in connection with such redemption together with Available Moneys otherwise available under the Indenture to pay the redemption price of the Special Purchase Bonds as directed by the Credit Provider.

Special Purchase Bonds. Bonds to be purchased as described under “Purchase Option” above which are not delivered to the Trustee on the Special Purchase Date will be deemed to have been so purchased and not redeemed on the Special Purchase Date and will cease to accrue interest as to the former owner on the Special Purchase Date.

## Remarketing Agent

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

## Book-Entry Only System

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payment on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner will give notice to elect to have its Securities purchased or tendered, through its Participant, to the tender agent or the remarketing agent, as applicable, and will effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the tender agent or the remarketing agent, as applicable. The requirement for physical delivery of Securities 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 Securities to the DTC account of the tender agent or the remarketing agent, as applicable.

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

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

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

## **REMARKETING OF THE BONDS**

### **The Remarketing Agent is Paid by the Borrower**

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

### **The Remarketing Agent Routinely Purchases Bonds for its Own Account**

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

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

Pursuant to the Remarketing Agreement, during the Variable Period, the Remarketing Agent is required to determine the applicable rate of interest that, in its reasonable professional judgment, on the basis of prevailing financial market conditions, is the interest rate that would be necessary, but which would not exceed the interest rate necessary, to be borne by the Bonds in order for the market value of the Bonds on such Variable Interest Computation Date to be 100% of the principal amount thereof (disregarding accrued interest) if the Bonds were sold on such Variable Rate Interest Computation Date; provided, however, that in no event shall the Variable Rate at any time exceed the Maximum Rate. The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Bonds tendered and remarketed on a Variable Interest Computation Date, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing

Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price. The Remarketing Agent, in its sole discretion, may offer Bonds on any date, including the Variable Interest Computation Date, at a discount to par to some investors.

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

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

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

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

## **SECURITY FOR THE BONDS**

### **General**

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

(a) all right, title and interest of the Issuer in and to the Financing Agreement, the Loan, including the Note, the Security Instrument and the other Loan Documents and all amendments, modifications, supplements, renewals and restatements of the foregoing, reserving, however, the Reserved Rights;

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

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

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

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

The foregoing (collectively the “Trust Estate”) are pledged for the equal and proportionate benefit, security and protection of (a) all Registered Owners of the Bonds, without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds and (b) the Credit Provider to secure the payment of all amounts owed to the Credit Provider under the Credit Facility Documents.

### **Credit Facility**

General. On the Closing Date, Fannie Mae will deliver the Credit Facility to the Trustee. See APPENDIX G — “Form of Credit Facility.” Information regarding Fannie Mae is contained herein under the caption “FANNIE MAE.”

Trust Indenture Provisions Relating to Credit Facility. The Trustee will request Advances under the Credit Facility in accordance with its terms and cause the proceeds of each Advance to be applied so that full and timely payments are made on each date on which payment of principal, interest or purchase price is due on any Bond or any payment of the Issuer’s Fee is due and not paid by the Borrower pursuant to the Financing Agreement. The Trustee will not request, and will not apply the proceeds of, any Advance to pay (a) principal of, interest on or the purchase price of, any Pledged Bond or any Bond known by the Trustee to be held by the Borrower or any Affiliate of the Borrower, (b) premium that may be payable upon the redemption of any of the Bonds or (c) interest that may accrue on any of the Bonds on or after the maturity of such Bond. Prior to requesting an Advance to pay principal of or interest on the Bonds on an Interest Payment Date, the Trustee will determine the amount necessary to make such payment of principal or interest.

### **FANNIE MAE**

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

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

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

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

Information on Fannie Mae and its financial condition is contained in periodic reports that are filed with the Securities and Exchange Commission (the “SEC”). The SEC filings are available at the SEC’s website at [www.sec.gov](http://www.sec.gov). The periodic reports filed by Fannie Mae with the SEC are also available



on Fannie Mae's web site at <http://www.fanniemae.com/ir/sec> or from Fannie Mae at the Office of Investor Relations at 202-752-7115.

On May 2, 2007, Fannie Mae filed its Annual Report on Form 10-K for the fiscal year ended December 31, 2005 with the SEC. Fannie Mae is not current with its SEC reporting requirements because it has not filed its Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

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

Fannie Mae makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility of performance of any project, or compliance with any securities, tax or other laws or regulations. Fannie Mae's role with respect to the Bonds is limited to issuing and discharging its obligations under the Credit Facility and exercising the rights reserved to it in the Indenture and the Reimbursement Agreement.

### PLAN OF FINANCING

The sources and uses of funds for the construction of the Project are estimated to be approximately as follows:

<b>Sources of Funds:</b>	
Bond Proceeds	\$14,000,000.00
Tax Credit Equity*	11,001,207.00
Deferred Developer Fee	2,883,554.45
Other Sources (Investment Income, Net Operating Income)	1,151,566.00
<b>Total</b>	<u>\$29,036,327.45</u>
 <b>Uses of Funds:</b>	
Land Acquisition and Title Costs	\$2,202,541.70
Construction Costs and Fees	18,670,350.00
Developer Fee and Overhead	5,594,644.00
Deposit to Capitalized Moneys Account	1,085,000.00
Financing Costs	1,193,791.75
Marketing/Start Up Reserves	200,000.00
Tax Credit Related Costs	90,000.00
<b>Total</b>	<u>\$29,036,327.45</u>

\* The release of the tax credit equity proceeds is subject to certain terms and conditions set forth in the Borrower's First Amended and Restated Agreement of Limited Partnership. There is no assurance that these conditions will be met and the tax credit equity proceeds will be released. See "THE PROJECT AND THE PRIVATE PARTICIPANTS — Low Income Housing Tax Credit Based Equity Syndication." Similarly, the release of Net Bond Proceeds is subject to certain terms and conditions set forth in the Construction Phase Credit Documents. There is no assurance that these conditions will be met and the Net Bond Proceeds will be released.

### THE PROJECT AND THE PRIVATE PARTICIPANTS

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

**The Project**

The Project, known as Windshire Apartments, is expected to have 252-units in 24 garden-style residential buildings and a clubhouse. The net rentable area of the Project is expected to be approximately 260,674 square feet. The Project will be located at 4415 South Shaver Road, in Houston, Texas on an approximately 17 acre site.

Project amenities are expected to include a pool, clubhouse, exercise room, laundry room, picnic area and play area with playground equipment. The Project is expected to include 513 parking spaces, including 252 garages. Construction of the Project is anticipated to commence in August 2007 and be completed in September 2008.

Unit amenities will include: central heating and air conditioning, 9 foot ceilings, washer and dryer connections, individual water heaters, carpeted flooring and miniblinds. The kitchen amenities will include a range and oven with a hood and fan, garbage disposal, dishwasher, refrigerator and microwave oven. Each bedroom will have a ceiling fan.

The unit mix of the Project will be as follows:

<u>Number of Units</u>	<u>Composition</u>	<u>Approximate Square Footage</u>
52	1 BR/1 BA	718-788
112	2 BR/2 BA	962-1,037
88	3 BR/2 BA	1,210-1,325

**The Borrower**

The Borrower is a Texas limited partnership, formed for the sole purpose of acquiring, developing and owning the Project. The sole general partner of the Borrower is Windshire Development, L.L.C., a Texas limited liability company (the "General Partner"). The members of the General Partner include Dwayne Henson Investments, Inc. ("DHI") and Resolution Real Estate Services, L.L.C. ("Resolution"). DHI specializes in acquiring, constructing and operating multifamily rental projects financed with low-income housing tax credits ("Tax Credits") and private activity bonds. Resolution, a real estate consulting and development firm incorporated in 1980, is primarily involved in the acquisition, development, financing and management of multifamily housing. Since 1988, Resolution has been involved in the creation of over 6,000 units of affordable housing using Tax Credits. The principals of the members of the General Partner have developed 26 other multifamily projects in Texas, containing over 11,244 units.

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

The principal office of the Borrower is located at 12121 Kirby Drive, Unit #68, Houston, Texas 77019.

**Contractor**

The general contractor for the Project is anticipated to be Windshire Contractors, L.L.C., a Texas limited liability company (in such capacity, the "Contractor"). The Contractor is qualified to do business

as a general contractor in Texas. The Contractor was formed in May 2007. The Contractor and the General Partner share members.

The mailing address of the General Contractor is 1800 Bering Drive, Suite 501, Houston, Texas 77057.

### **Architect**

The design and inspecting architect for the Project is Mucasey & Associates AIA, a Texas corporation (the "Architect"). The Architect was formed in 1983 and employees approximately 10 people and specializes in multifamily and single family housing. The Architect has participated in the design of over 80 multifamily housing projects located in Texas.

The mailing address of the Architect is 1964 West Gray, Suite 201, Houston, Texas 77019.

### **The Managing Agent**

The managing agent for the Project is expected to be Orion Real Estate Services, Inc., a Texas corporation (the "Managing Agent"). The Managing Agent was formed in 1990, and employs approximately 500 people. The Managing Agent specializes in the development, construction, operation and management of multifamily properties and currently manages over 76 projects with over 15,389 units in the State.

The mailing address of the Managing Agent is 1455 West Loop South, Suite 800, Houston, Texas, 77027.

### **The Trustee**

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

The mailing address of the Trustee is MAC T5305-022, 1445 Ross Avenue, 2nd Floor, Dallas, Texas 75202.

### **Low Income Housing Tax-Credit Based Equity Syndication**

Simultaneously with the issuance of the Bonds, the Borrower expects to sell to Boston Capital Corporate Tax Credit Fund XXIX, A Limited Partnership, a Massachusetts limited partnership (the "Limited Partner") a 99.99% limited partner interest in the Borrower. Subject to the terms and conditions set forth in the Borrower's First Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement"), the total tax credit equity is estimated to be approximately \$11,001,207 payable as follows: (a) \$2,195,432 upon admission of the Limited Partner; (b) \$3,305,172 on or about completion of 50% of the construction of the Project; (c) \$3,850,423 on or about completion of 75% of the construction of the Project; (d) \$550,060 on or about completion of the construction of the Project; (e) \$990,109 on or about the later of Conversion or occupancy of 90% of the units in the Project and (f) \$110,011 on the date the Borrower receives for each building in the Project an allocation of Tax Credits pursuant to Section 42 of the Code. The foregoing estimated capital contribution payment schedule is subject to change based upon the final projections in the Partnership Agreement. These funding levels and the timing of the funding are subject to numerous adjustments and conditions (in addition to those set forth above) which could result in the amounts funded and/or the timing or even occurrence of the funding varying significantly from the estimates set forth above and neither the Issuer nor the Underwriter makes any representation as to the availability of such funds. The staged funding arrangements are not expected to adversely affect the completion of the Project. The Borrower's expectations are that the

funds available on the Closing Date, when combined with other funds expected to be available, will be sufficient for completion of the Project.

### **Additional Restrictive Covenants**

In connection with the Tax Credits which are expected to be allocated to the Borrower in connection with the Project, the Borrower will execute an Extended Low-Income Housing Agreement for the Project in accordance with Section 42 of the Code (the "Extended Low-Income Housing Agreement"). The Extended Low-Income Housing Agreement extends the low-income housing tax credit targeting and rent restrictions for the Project under Section 42 of the Code for at least 15 years beyond the initial 15 year compliance period, subject only to a few exceptions. The Extended Low-Income Housing Agreement will be executed by the Borrower and the Texas Department of Housing and Community Affairs before the end of the first year of the credit period (as defined in Section 42 of the Code) and recorded in the land records of Harris County, Texas, as a covenant running with the land. The Extended Low-Income Housing Agreement for the Project will, among other things, require that at least 90% of the residential rental units in the Project must be occupied by tenants whose gross income is at or below 60% of the area median gross income and the units must be rent-restricted under Section 42(g)(2) of the Code throughout the extended use period as defined in the Code. The Borrower intends for purposes of Section 42 of the Code, to lease 100% of the residential rental units in the Project to tenants whose gross income is at or below 60% of area median gross income and to cause such units to be rent-restricted within the meaning of Section 42(g)(2) of the Code. Under the Code, the extended use period terminates prior to its expiration date if the Project is acquired by foreclosure. Notwithstanding the foregoing, the Code requires that any termination of the extended use period due to foreclosure will not permit, before the close of the three year period following such foreclosure: (i) the eviction or termination of tenancy of a tenant without cause, or (ii) any increase in the gross rent of any such units.

### **Limited Recourse to Borrower**

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

### **BONDHOLDERS' RISKS**

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

### **Failure To Satisfy Conditions to Conversion**

If the Conversion Notice is not issued on or before the Termination Date, (a) Conversion will not occur, (b) the Bonds will be subject to mandatory redemption pursuant to the Indenture or to purchase by or for the account of the Construction Lender pursuant to the Indenture and (c) the Credit Facility will

terminate in accordance with its terms. In addition, prior to the Conversion Date, upon the occurrence of a default under the Construction Phase Credit Documents (including the Construction Phase Reimbursement Agreement), the Construction Lender can direct Fannie Mae to draw on the Letter of Credit to effect a corresponding mandatory redemption of the Bonds in whole. See “THE BONDS — Redemption Provisions — Mandatory Redemption — Failure of Conversion or Borrower Default.”

### **Reduction in Authorized Loan Amount**

The Bonds are subject to redemption in part if the Loan is prepaid in part in order to satisfy Fannie Mae’s underwriting criteria for determining the final Permanent Phase principal amount of the Loan. This would occur, for example, if the net income from the Project does not provide sufficient debt service coverage to support a loan amount equal to the original principal amount of the Loan. No premium will be paid in connection with any such redemption. See “THE BONDS — Redemption Provisions — Mandatory Redemption — Pre-Conversion Loan Equalization.”

### **Early Redemption**

A variety of other factors described herein will result in an early redemption of the Bonds. The possibility of an early redemption could affect the value of the Bonds. See “THE BONDS — Redemption Provisions.”

### **No Acceleration or Redemption upon Loss of Tax Exemption of the Bonds**

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

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

### **Construction Lender**

Pursuant to the Construction Phase Financing Agreement, the Construction Lender has provided to Fannie Mae the Letter of Credit. The Letter of Credit will secure Fannie Mae during the Construction Phase. Under the terms of the Construction Phase Financing Agreement, Fannie Mae will be authorized, subject to the terms and conditions of the Construction Phase Financing Agreement, to draw on the Letter of Credit if certain events occur, including, but not limited to, a default by the Borrower under the Note and the failure to satisfy the Conditions to Conversion on or before the Termination Date. In addition, the Construction Lender may direct Fannie Mae, upon the occurrence of a default under the Construction Phase Reimbursement Agreement, to draw on the Letter of Credit to effect a corresponding mandatory redemption or purchase of the Bonds in whole with funds drawn on the Credit Facility. See “THE

BONDS — Redemption Provisions — Mandatory Redemption — Failure of Conversion or Borrower Default.”

### **Performance of the Project**

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

### **Tax Credit Regulatory Agreement**

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

### **Environmental Matters**

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

### **Vacancies**

The economic feasibility of the Project depends in large part upon its being substantially occupied. Although representatives of the Borrower believe, based on surveys of the area where the Project is located, that a substantial number of persons currently need housing facilities such as the Project, occupancy of the Project may be affected by competition from existing housing facilities or from housing facilities which may be constructed in the area served by the Project, including new housing

facilities which the Borrower, or its affiliates, may construct. While the Borrower believes the Project is needed, no assurance can be given that there may not be delays in the initial renting of the Project or there may be difficulties in keeping it substantially occupied in future years.

### **Estimated Project Expenses; Management**

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

### **Competing Facilities**

The Issuer, affiliates of the Borrower, members of the General Partner and others may develop, construct and/or operate other facilities that could compete with the Project for tenants. Any competing facilities, if so constructed, could adversely affect occupancy of the Project.

### **The Credit Facility**

The Credit Provider will issue the Credit Facility which will authorize the Trustee to draw on or request advances under, as applicable, the Credit Facility, in accordance with the terms and conditions set forth in the applicable Credit Facility. Such draws or requests are to be made periodically in an amount equal to the interest due on the Bonds and, in the event of the redemption, tender for purchase by a Bondholder, Mandatory Tender for purchase by a Bondholder or acceleration of the maturity of the Bonds, in an amount not to exceed the principal amount or purchase price of the Bonds to be redeemed or purchased plus accrued interest on such principal amount or purchase price. The Credit Facility provides coverage for up to 34 days of interest at 12% per annum. The Credit Facility is the Bondholders' expected source of payment of principal of and interest on the Bonds. Certain information with respect to the Credit Provider and the Credit Facility is included in this Official Statement under the headings "SECURITY FOR THE BONDS — Credit Facility," and "FANNIE MAE" and APPENDIX G — "PROPOSED FORM OF THE CREDIT FACILITY." Prospective purchasers of the Bonds should analyze the credit and liquidity qualifications of Fannie Mae, in making any investment decision regarding the Bonds. In the event the Credit Provider is unable to pay the principal of and interest on the Bonds as such payments become due, the Bonds will be payable solely from moneys received by the Trustee pursuant to the Note.

### **Risks While in Variable Rate Mode**

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

## **THE LOAN SERVICER**

The following has been provided by the Loan Servicer and neither the Borrower nor the Issuer nor the Underwriter, subject to the standard of review found on the inside cover hereof, will assume any responsibility for the accuracy and completeness of such information.

Beginning on the Conversion Date, the Loan Servicer will perform mortgage servicing functions with respect to the Loan on behalf of and in accordance with Fannie Mae requirements. The servicing

arrangements between Fannie Mae and the Loan Servicer for the servicing of the Loan are solely between Fannie Mae and the Loan Servicer and neither the Issuer nor the Trustee is deemed to be party thereto or has any claim, right, obligation, duty or liability with respect to the servicing of the Loan.

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

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

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

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

## **TAX MATTERS**

In the opinion of Bond Counsel, assuming compliance with certain covenants and based upon certain representations, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, except with respect to interest on any Bond during any period while it is held by a "substantial user" of the Development or a "related person" within the meaning of Section 147(a) of the Code. The Bonds are "private activity bonds" under the Code and, therefore, interest on the Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations.

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

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



income for federal income from the date of original delivery of the Bonds, regardless of the date on which the event causing such includability occurs.

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

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

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

is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations and the environmental tax imposed on corporations.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on Bonds, received or accrued during the year. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Indenture and related documents, upon the advice or with an approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to its ability to render an opinion that such actions, if taken or omitted, will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

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

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

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

## **LEGAL MATTERS**

The authorization, issuance, sale and delivery of the Bonds by the Issuer to the Underwriter are subject to the approval of legality of Vinson & Elkins L.L.P., Bond Counsel and certain other conditions.

Certain legal matters will be passed upon for Fannie Mae by its Legal Department and by its Special Counsel O'Melveny & Myers LLP, for the Borrower by its counsel, Coats, Rose, Yale, Ryman & Lee P.C., Houston, Texas, and for the Issuer by its counsel, McCall, Parkhurst & Horton, LLP, Dallas, Texas. Certain legal matters will be passed on for the Underwriter by its counsel, Katten Muchin Rosenman LLP, Washington, D.C.

Certain legal matters incident to the issuance of the Bonds and with regard to the tax exempt status of the interest on the Bonds are subject to the legal opinion of Vinson & Elkins L.L.P., whose legal services as Bond Counsel have been retained by the Issuer. See "TAX MATTERS." The legal opinion of Bond Counsel, dated and premised on law in effect as of the date of original delivery of the Bonds, will be delivered at the time of original delivery.

The proposed text of the legal opinion is set forth as APPENDIX F — "PROPOSED FORM OF BOND COUNSEL OPINION" attached hereto. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise will create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion subsequent to its date.

While Bond Counsel has participated in the preparation of certain portions of this Official Statement, it has not been engaged by the Issuer to confirm or verify, and, except as may be set forth in an opinion of Bond Counsel delivered to the Underwriter, expresses and will express no opinion as to and assumes no responsibility for, the accuracy, completeness or fairness of any statements in this Official Statement, or in any other reports, financial information, offering or disclosure documents or other information pertaining to the Issuer, the Borrower, the Credit Provider, any other parties, or the Bonds that may be prepared or made available by the Issuer, the Borrower, the Underwriter or others to the holders of the Bonds or other parties.

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

## **NO LITIGATION**

### **The Issuer**

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

### **The Borrower**

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

## **ENFORCEABILITY OF REMEDIES**

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

In addition, the Financing Agreement contains specific provisions concerning the extent to which the Borrower is personally liable for certain of its obligations under the Financing Agreement, the Regulatory Agreement and other agreements and documents and the extent to which its obligations are secured. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT — Nature of Borrower's Obligations; Security for the Obligations" and "THE PROJECT AND THE PRIVATE PARTICIPANTS — Limited Recourse to Borrower."

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

The Issuer and the Borrower have consented to the distribution of this Official Statement by the Underwriter to prospective purchasers of the Bonds.

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

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

### **CONTINUING DISCLOSURE**

During the time the Bonds bear interest at a Weekly Variable Rate pursuant to the Indenture, the Bonds are exempt from the continuing disclosure requirements of Securities Exchange Commission Rule 15c2-12(b)(5). Accordingly, no continuing disclosure with respect to the Bonds, the Borrower, Fannie Mae or the Issuer will be provided to the owners of the Bonds so long as the Bonds bear interest at a Weekly Variable Rate. The Issuer has undertaken no obligation to provide continuing disclosure to the owners of the Bonds.

### **RATING**

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

## UNDERWRITING

Citigroup Global Markets Inc. (the "Underwriter") has agreed to purchase the Bonds at a price of 100% of the principal amount thereof and will be paid an underwriter's fee in an amount equal to \$137,354.00, from which it will pay certain of its fees and expenses, including the fees and expenses of its counsel. The Underwriter has agreed to purchase all of the Bonds, if any are purchased. The initial public offering prices may be changed from time to time by the Underwriter.

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

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

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

## MISCELLANEOUS

This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract between the Issuer and the purchasers or owners of any of the Bonds. The use of this Official Statement has been duly approved by the Issuer and the Borrower.

[Remainder of page intentionally left blank.]

This Official Statement has been duly authorized, executed and delivered by the Borrower. This Official Statement is not to be construed as a contract between the Borrower and the purchasers or owners of any Bonds.

**WINDSHIRE APARTMENTS, L.P.**, a Texas limited partnership

By: Windshire Development, L.L.C., a Texas limited liability company, its general partner

By: /s/ William D. Henson  
Name: William D. Henson  
Title: Manager

[This page intentionally left blank]

## APPENDIX A

### SUMMARY OF CERTAIN DEFINITIONS

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

“*Account*” means an account established within a Fund.

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

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

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

“*Advance*” means an advance made under the Credit Facility.

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

“*Alternate Credit Facility*” means a letter of credit (whether or not so named), surety bond, insurance policy, standby bond purchase agreement, credit enhancement instrument, collateral purchase agreement, mortgage backed security or similar agreement, instrument or facility (other than the initial Credit Facility) provided in accordance with the Financing Agreement and the Indenture.

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

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

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

“*Asset Oversight Agent’s Fee*” will have the meaning set forth in the Asset Oversight Agreement.

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

“*Assigned Rights*” has the meaning given that term in the Assignment.



“*Assignment*” means the Assignment and Intercreditor Agreement, dated as of July 1, 2007, among the Issuer, the Trustee and Fannie Mae, and acknowledged, accepted and agreed to by the Borrower, as it may be amended, supplemented or restated from time to time.

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

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

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

“*Beneficial Owner*” means, for any Bond that is held by a nominee, the beneficial owner of such Bond.

“*Bond*” or “*Bonds*” means the Issuer’s Multifamily Housing Revenue Bonds (Windshire Apartments) Series 2007 in the original aggregate principal amount of \$14,000,000.

“*Bond Counsel*” means an attorney at law or a firm of attorneys, designated by the Issuer, of nationally recognized standing in matters pertaining to the tax status of interest on bonds issued by states and their political subdivisions and initially means Vinson & Elkins L.L.P.

“*Bond Documents*” means the Assignment, the Bonds, the Bond Purchase Agreement, the Credit Facility, the Disclosure Agreement, the Financing Agreement, the Indenture, the Regulatory Agreement (and any other agreement relating to rental restrictions on the Mortgaged Property), the Remarketing Agreement, the Tax Certificate, any Tender Agent Agreement and all other documents, instruments and agreements executed and delivered in connection with the issuance, sale, delivery and/or remarketing of the Bonds, as each such agreement or instrument may be amended, supplemented or restated from time to time. Any Commitment Fee Instrument (as that term is defined in the Reimbursement Agreement) is not a Bond Document.

“*Bond Purchase Agreement*” means the Bond Purchase Agreement, dated July 17, 2007, among the Underwriter, the Issuer and the Borrower.

“*Bond Purchase Fund*” means the Bond Purchase Fund created by the Indenture.

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

“*Bond Registrar*” means the Trustee or its designee as keeper of the Bond Register.

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

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

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

“*Borrower*” means Windshire Apartments, L.P., a limited partnership organized and existing under the laws of the State (together with its successors and assigns).

“*Borrower Default*” means a “Borrower Default” as defined under the Construction Phase Financing Agreement.

“*Borrower’s Tax Certificate*” means the Borrower’s Tax Certificate executed by the Borrower and delivered on the Closing Date.

“*Business Day*” means any day other than (i) a Saturday or a Sunday, (ii) any day on which banking institutions located in the City of New York, New York are required or authorized by law or executive order to close, (iii) any day on which banking institutions located in the city or cities in which the Designated Office of the Trustee is located are required or authorized by law or executive order to close, (iv) prior to the Fixed Rate Adjustment Date, a day on which the New York Stock Exchange is closed or on which banking institutions located in the city in which the Remarketing Agent is located are required or authorized by law or executive order to close, (v) on or after the Conversion Date, a day on which banking institutions located in the city in which the Designated Office of the Loan Servicer is located are required or authorized by law or executive order to close or (vi) so long as a Credit Facility is in effect, any day on which the Credit Provider is closed.

“*Capitalized Moneys Account*” means the Capitalized Moneys Account of the Loan Fund.

“*Certificate of Borrower*” means the Certificate of Borrower dated as of the Closing Date, as it may be amended, supplemented or restated from time to time.

“*Closing Date*” means July 18, 2007, the date on which the Bonds are issued and delivered to or upon the order of the Underwriter.

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

“*Conditional Redemption*” means a redemption where the Trustee has stated in the notice of redemption that the redemption is conditioned upon deposit of funds as further described in the Indenture.

“*Conditions to Conversion*” has the meaning given to the term “Final Conditions to Conversion” in the Construction Phase Financing Agreement.

“*Construction Lender*” means Bank of America, N.A., subject to the terms of the Indenture which provide for the termination of all references to the Construction Lender from and after the Conversion Date.

“*Construction Phase*” has the meaning given to that term in the Construction Phase Financing Agreement.

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

“*Construction Phase Financing Agreement*” means the Construction Phase Financing Agreement, dated as of July 1, 2007, among the Credit Provider, the Loan Servicer and the Construction Lender and acknowledged, accepted and agreed to by the Borrower, as such agreement may be amended, modified, supplemented or restated from time to time.

“*Construction Phase Reimbursement Agreement*” means the construction reimbursement agreement or other agreement between the Construction Lender and the Borrower governing the rights and obligations of the Construction Lender and the Borrower as to the construction of the Development Project and the disbursement of the proceeds of the Loan, as it may be amended, supplemented or restated from time to time.

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

“*Conversion Date*” means the date of Conversion of the Loan pursuant to the Construction Phase Financing Agreement.

“*Conversion Notice*” means a written notice by the Loan Servicer to the Issuer, the Trustee, the Borrower, the Construction Lender and the Credit Provider given on or before the Termination Date (a) stating that each of the Conditions to Conversion has been satisfied on or before the Termination Date or, if any Condition to Conversion has not been satisfied on or before the Termination Date, has been waived in writing by the Credit Provider on or before the Termination Date, (b) specifying the Conversion Date, and (c) providing the Schedule of Deposits to Principal Reserve Fund to be attached as an exhibit to the Reimbursement Agreement.

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

“*Costs of Issuance Deposit*” means the deposit to be paid or caused to be paid by the Borrower pursuant to the Financing Agreement, to the Trustee on the Closing Date to pay Costs of Issuance.

“*Costs of Issuance Fund*” means the Costs of Issuance Fund created by the Indenture.

“*Credit Facility*” means the Credit Enhancement Instrument, dated the Closing Date, issued by Fannie Mae to the Trustee, or any Alternate Credit Facility in effect at the time, as any such facility may be amended, supplemented or restated from time to time.

“*Credit Facility Account*” means the Credit Facility Account of the Revenue Fund.

“*Credit Facility Documents*” means the Reimbursement Agreement, the Certificate of Borrower, all Collateral Agreements (as that term is defined in the Security Instrument), the Hedge Documents, the Hedge Security Agreement, the Hedge Reserve Escrow Account Security Agreement, the Pledge Agreement and all other agreements and documents securing the Credit Provider or otherwise relating to the provision of the Credit Facility, as any such agreement may be amended, supplemented or restated from time to time.

“*Credit Provider*” means, so long as the initial Credit Facility is in effect, Fannie Mae, or so long as any Alternate Credit Facility is in effect, the Alternate Credit Provider then obligated under the Alternate Credit Facility.

“*Designated Office*” of the Trustee, the Tender Agent, the Remarketing Agent or the Loan Servicer means, respectively, the office of the Trustee, the Tender Agent, the Remarketing Agent or the Loan Servicer at the respective address set forth in the Indenture or at such other address as may be specified in writing by the Trustee, the Tender Agent, the Remarketing Agent or the Loan Servicer, as applicable, as provided in the Indenture.

“*Development*” means the acquisition, construction and equipping of the multifamily residential rental housing project known as Windshire Apartments owned by the Borrower and located in Harris County, Texas to be financed in part with the proceeds of the Loan.

“*Development Costs*” means, to the extent authorized by the Act and the Code, any and all costs incurred by the Borrower with respect to the acquisition, construction and equipping, as the case may be, of the Development, including, without limitation, costs for site preparation, the planning of housing and improvements, the removal or demolition of existing structures, and all other work in connection therewith, and all costs of financing, including, without limitation, the cost of consultant, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Development, contractors and Owner’s overhead and supervisor’s fees and costs directly allocable to the Development, and administrative and other expenses necessary or incident to the Development and the financing of the Development.

“*Disclosure Agreement*” means the Continuing Disclosure Agreement, dated as of July 1, 2007, among the Borrower, the Trustee and the dissemination agent named therein.

“*DTC*” means The Depository Trust Company and any successor to or any nominee thereof.

“*DTC Participant*” has the meaning given to that term in the Indenture.

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

“*Eligible Tenants*” has the meaning given that term in the Regulatory Agreement.

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

“*Excluded Bond*” means any Bond which is not Outstanding, any Bond registered in the name of or otherwise owned, directly or indirectly, by the Borrower or any Affiliate of the Borrower, or any Pledged Bond.

“*Extension Date*” means, with respect to the initial Credit Facility, the date that is one Business Day prior to the Liquidity Expiration Date and, with respect to an Alternate Credit Facility, the date that is five Business Days prior to the expiration date of the Alternate Credit Facility.

“*Extraordinary Items*” means, with respect to the Trustee, reasonable compensation for extraordinary services and/or reimbursement for reasonable extraordinary costs and expenses, including reasonable fees and expenses of its counsel.

“*Facility Fee*” means the monthly fee owed to the Credit Provider by the Borrower pursuant to the Reimbursement Agreement, which during the Construction Phase is \$2,917, based on conditions in effect as of the Closing Date.

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

“*Favorable Opinion of Bond Counsel*” means, with respect to any action the taking of which requires such an opinion, an unqualified opinion of counsel, which will be from Bond Counsel, delivered to and in form and substance satisfactory to the Issuer and the Credit Provider to the effect that such action is permitted under the laws of the State (including the Act), the Code and the Indenture and will not impair the exclusion of interest on the Bonds from gross income for purposes of federal income taxation (subject to the inclusion of (a) any exceptions contained in the opinion of Bond Counsel delivered upon original issuance of the Bonds or other customary exceptions acceptable to the recipient thereof or (b) to the extent acceptable to the Borrower, such disclosures and disclaimers as may be required so that such opinion will not be treated as a covered opinion or a state or local bond opinion for purposes of Treasury Department regulations governing practice before the Internal Revenue Service (Circular 230) 31 CFR Part 10).

“*Fees Account*” means the Fees Account of the Revenue Fund.

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

“*Financing Agreement*” means the Financing Agreement, dated as of July 1, 2007 among the Issuer, the Trustee and the Borrower, as amended, supplemented or restated from time to time.

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

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

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

“*Fund*” means any fund created by the Indenture.

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

“*Hedge Documents*” has the meaning given that term in the Hedge Security Agreement.

“*Hedge Reserve Escrow Account Security Agreement*” means the Hedge Reserve Escrow Account Security Agreement to be entered into on or before the Conversion Date among the Borrower, the Loan Servicer and Fannie Mae as amended, supplemented or restated from time to time.

“*Hedge Security Agreement*” means the Hedge Security Agreement to be entered into on or before the Conversion Date among the Borrower, the Loan Servicer and Fannie Mae as amended, supplemented or restated from time to time.

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

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

“*Interest Account*” means the Interest Account of the Revenue Fund.

“*Interest Payment Date*” means (i) during any Weekly Variable Rate Period, the 15th day of each calendar month initially commencing August 15, 2007; (ii) each Adjustment Date; (iii) for Bonds subject to redemption in whole or in part on any date, the date of such redemption, (iv) the Maturity Date and (v) for all Bonds any date determined pursuant to the Indenture.

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

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

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

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

“*Issuer Administration Fee*” means the fee payable annually in arrears to the Issuer on each January 1 in the amount of .10% per annum of the aggregate principal amount of Bonds Outstanding at

the inception of each payment period; provided that, on the Closing Date, the Borrower will pay the Issuer Administration Fee in advance to the Issuer for the period from the Closing Date to June 30, 2007; and provided further that the Trustee will remit to the Issuer, from funds provided by the Borrower, all payments of the Issuer Administration Fee due on or after July 1, 2010.

“*Issuer Compliance Fee*” means the fee payable annually in advance to the Issuer on each July 1, commencing July 1, 2008, in the amount of \$40 per unit in the Development per year (to be increased annually based on any corresponding increase in the Consumer Price Index); provided that, on the Closing Date, the Borrower will pay the Issuer Compliance Fee to the Issuer for the period from July 1, 2008 to June 30, 2009; and provided further that the Trustee will remit to the Issuer, from funds provided by the Borrower, all payments of the Issuer Compliance Fee due on or after July 1, 2009.

“*Issuer’s Fee*” means the Issuer Administration Fee and the Issuer Compliance Fee.

“*Letter of Credit*” means, individually or collectively, as the context may require, the letter of credit to be issued and delivered by or on behalf of the Construction Lender pursuant to, and which satisfies all requirements of, the Construction Phase Financing Agreement, any amendment to the letter of credit and any replacement letter of credit, and any confirmation of the Letter of Credit issued and delivered in accordance with the Construction Phase Financing Agreement.

“*Letter of Credit Fee*” means the quarterly fee owed to the Construction Lender pursuant to the Construction Phase Reimbursement Agreement.

“*Letter of Representations*” means when all the Bonds are Book-Entry Bonds, the Blanket Issuer Letter of Representations executed by the Issuer and DTC, as amended, supplemented or restated from time to time, or any instrument entered into in substitution therefor.

“*Limited Partner*” means Boston Capital Corporate Tax Credit Fund XXIX, A Limited Partnership, a Massachusetts limited partnership, with its permitted successors and assigns.

“*Liquidity Advance*” means an Advance to pay principal of, plus accrued interest on, any Bonds subject to an Optional Tender.

“*Liquidity Commitment*” means the obligation of the Credit Provider to honor from time to time a request of the Trustee under the Credit Facility to make a Liquidity Advance (as defined in the Credit Facility). The Liquidity Commitment shall expire on the Liquidity Expiration Date. See APPENDIX G — “PROPOSED FORM OF CREDIT FACILITY — Section 1.”

“*Liquidity Expiration Date*” means, subject to the Credit Facility, the date the obligation of the Credit Provider to make Liquidity Advances expires as provided in the Credit Facility, if not earlier terminated. The Liquidity Expiration Date may be extended from time to time in accordance with the terms of the Reimbursement Agreement.

“*Loan*” means the loan made by the Issuer to the Borrower pursuant to the Financing Agreement for the purpose of providing funds to the Borrower to finance the acquisition, construction, equipping and permanent financing of the Mortgaged Property.

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

“*Loan Fund*” means the Loan Fund created by the Indenture.

“*Loan Servicer*” means the multifamily mortgage loan servicer designated from time to time by the Credit Provider. The initial Loan Servicer will be Citibank, N.A., a national banking association.

“*Mandatory Tender*” means a tender of Bonds required by the Indenture. Mandatory Tenders include any tender required because of (i) a change in Mode, (ii) with respect to the initial Credit Facility, the expiration of the Liquidity Commitment, (iii) with respect to an Alternate Credit Facility, the expiration of the Alternate Credit Facility, (iv) the substitution of a new Credit Facility for the Credit Facility then in effect and (v) the receipt by the Trustee of written notice from the Credit Provider stating that an Event of Default under the Reimbursement Agreement has occurred and directing that the Bonds be subject to mandatory tender.

“*Mandatory Tender Advance*” means an Advance to pay principal of, plus accrued interest on, any Bonds (other than Excluded Bonds) due as a result of a Mandatory Tender.

“*Mandatory Tender Date*” means any date on which Bonds are required to be tendered pursuant to the terms of the Indenture, including any Adjustment Date, Extension Date (unless the Trustee receives an extension of, as the case may be, the Liquidity Expiration Date or an Alternate Credit Facility prior to the Extension Date in which case such Extension Date will not be a Mandatory Tender Date), each Substitution Date or date specified by the Trustee as provided in the Indenture. See “THE BONDS — Mandatory Tender and Purchase.”

“*Maturity Date*” means January 15, 2041 or in the event the Bonds are adjusted to the Fixed Rate Mode and a Sinking Fund Schedule is established, the stated maturity date of any Bond.

“*Maximum Rate*” means 12% per annum; provided, however, that the Maximum Rate may be increased if the Trustee receives (i) the written consent of the Credit Provider and the Borrower to a specified higher Maximum Rate not to exceed the lesser of: (A) the maximum rate permitted by law to be paid on the Bonds (prescribed by Chapter 1204, Texas Government Code, or any successor provision), and (B) the maximum rate chargeable on the Loan, (ii) a Favorable Opinion of Bond Counsel, and (iii) a new or amended Credit Facility in an amount equal to the sum of (A) the then outstanding principal amount of the Bonds and (B) the new Interest Requirement calculated using the new Maximum Rate.

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

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

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

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

“*Net Proceeds of the Bonds*” has the meaning given to that term in the Regulatory Agreement.

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

“*Note*” means the Multifamily Note (together with all addenda thereto), dated as of July 1, 2007, executed by the Borrower in favor of the Issuer, as it may be amended, supplemented or restated from



time to time or any mortgage note executed in substitution therefor in accordance with the Bond Documents, as such substitute note may be amended, supplemented or restated from time to time.

“*Opinion of Counsel*” means a written opinion of legal counsel, acceptable to the recipient(s) of such opinion. If the opinion is with respect to an interpretation of federal tax laws or regulations or bankruptcy matters, such legal counsel also must be an attorney or firm of attorneys experienced in such matters.

“*Optional Tender*” means any optional tender of any Bond pursuant to the demand of the Beneficial Owner pursuant to the terms of the Indenture.

“*Optional Tender Notice*” means a written notice meeting the requirements of the Indenture.

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

- (a) Bonds cancelled or delivered for cancellation at or prior to such date;
- (b) Bonds deemed to be paid in accordance with the Indenture; and
- (c) Bonds in lieu of which others have been authenticated under the Indenture.

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

“*Permanent Phase*” has the meaning given that term in the Construction Phase Financing Agreement.

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

- (a) Government Obligations.
- (b) Direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, any agency or instrumentality of the United States of America (other than the Federal Home Loan Mortgage Corporation) or direct obligations of the World Bank, which obligations are rated in the Highest Rating Category.
- (c) Obligations, in each case rated in the Highest Rating Category, of (i) any state or territory of the United States of America, (ii) any agency, instrumentality, authority or political subdivision of a state or territory or (iii) any public benefit or municipal corporation the principal of and interest on which are guaranteed by such state or political subdivision.
- (d) Any written repurchase agreement entered into with a Qualified Financial Institution whose unsecured short-term obligations are rated in the Highest Rating Category.

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

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

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

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

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

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

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

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

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

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

Permitted Investments will not include any of the following:

(1) Except for any investment described in the next sentence, any investment with a final maturity or any agreement with a term greater than one year from the date of the investment. This exception (1) will not apply to any obligation that provides for the optional or mandatory tender, at par, by the holder of such obligation at least once within one year of the date of purchase, Government Obligations irrevocably deposited with the Trustee for payment of Bonds pursuant to the Indenture, and Permitted Investments listed in paragraphs (g) and (i).

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

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

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

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

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

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

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

(9) Any investment to which S&P has added an “r” or “t” highlighter.

“*Person*” means a natural person, estate, trust, corporation, partnership, limited liability company, association, public body or any other organization or entity (whether governmental or private).

“*Pledge Agreement*” means the Pledged Bonds Custody and Security Agreement, dated as of July 1, 2007, among the Borrower, Wells Fargo Bank, National Association, as collateral agent for the Credit Provider, and the Credit Provider, as such agreement may be amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“*Pledged Bond*” means any Bond during the period from and including the date of its purchase by the Trustee on behalf of and as agent for the Borrower with the proceeds of a Liquidity Advance or a Mandatory Tender Advance under the Credit Facility, to, but excluding, the date on which the Advance made by the Credit Provider on account of such Pledged Bond is reinstated under the Credit Facility.

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

“*Principal Amount*” means \$14,000,000, the original amount of the Bonds on the Closing Date.

“*Principal Reserve Fund*” means the Principal Reserve Fund created by the Indenture.

“*Project Account*” means the Project Account of the Loan Fund.

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

“*Rate Determination Date*” means with respect to the Weekly Variable Rate, Wednesday of each week, beginning July 25, 2007, or if such Wednesday is not a Business Day the following day or if such day is not a Business Day, then the first Business Day before such Wednesday.

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

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

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

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

“*Rebate Fund*” means the Rebate Fund created by the Indenture.

“*Record Date*” means, with respect to any Interest Payment Date, if the Bonds bear interest at the Weekly Variable Rate, the Business Day before the Interest Payment Date.

“*Redemption Account*” means the Redemption Account of the Revenue Fund.

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

“*Regulatory Agreement*” means the Regulatory and Land Use Restriction Agreement, dated as of July 1, 2007, among the Issuer, the Trustee and the Borrower, as it may be amended, supplemented or restated from time to time.

“*Reimbursement Agreement*” means the Reimbursement Agreement, dated as of July 1, 2007, between the Credit Provider and the Borrower, as amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“*Remarketing Agent*” means Citigroup Global Markets Inc., or any successor as Remarketing Agent designated in accordance with the Indenture.

“*Remarketing Agent’s Fee*” means the continuing fee of the Remarketing Agent for its remarketing services, as set forth in the Remarketing Agreement.

“*Remarketing Agreement*” means the Remarketing Agreement, dated as of July 1, 2007, between the Borrower and the Remarketing Agent, as amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“*Remarketing Notice Parties*” means the Borrower, Issuer, Trustee, Tender Agent, Remarketing Agent, Construction Lender, Credit Provider and Loan Servicer.

“*Reserved Rights*” means (a) all of the Issuer’s right, title and interest in and to all reimbursement, costs, expenses and indemnification, (b) all rights of the Issuer to receive the Issuer’s Fee and any Rebate Amount, (c) all rights of the Issuer to receive notices, reports and other statements and to make any determination and to grant any approval or consent to anything in the Indenture, the Financing Agreement, the Regulatory Agreement and the Loan Documents requiring the determination, consent or approval of the Issuer (but, as to the Loan Documents, only to the extent of the Issuer’s Reserved Rights, as defined therein), (d) all rights of the Issuer of access to the Mortgaged Property and documents related thereto and to specifically enforce the representations, warranties, covenants and agreements of the Borrower set forth in the Borrower’s Tax Certificate and in the Regulatory Agreement, (e) any and all rights, remedies and limitations of liability of the Issuer set forth in the Indenture, the Financing Agreement, the Regulatory Agreement and the Loan Documents, as applicable, regarding (1) the negotiability, registration and transfer of the Bonds, (2) the loss or destruction of the Bonds, (3) the limited liability of the Issuer as provided in the Act, the Indenture, the Financing Agreement, the Regulatory Agreement and the Loan Documents, (4) the maintenance of insurance by the Borrower, (5) no liability of the Issuer to third parties, and (6) no warranties of suitability or merchantability by the

Issuer, (f) all rights of the Issuer in connection with any amendment to or modification of the Indenture, the Financing Agreement, the Regulatory Agreement and the Loan Documents (but, as to the Loan Documents, only to the extent of the Issuer's Reserved Rights, as defined therein), (g) any and all limitations of the Issuer's liability and the Issuer's disclaimers of warranties set forth in the Indenture, the Regulatory Agreement or the Financing Agreement, and the Issuer's right to inspect and audit the books, records and permits of the Borrower and the Mortgaged Property, and (h) any and all rights under the Financing Agreement and the Regulatory Agreement required for the Issuer to enforce or to comply with Section 2306.186 of the Texas Government Code.

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

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

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

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

*"Revenues"* means all (i) payments made under the Credit Facility, (ii) Investment Income (excluding Investment Income earned from moneys on deposit in the Principal Reserve Fund, the Rebate Fund, the Fees Account and the Costs of Issuance Fund, but including Investment Income earned on Net Bond Proceeds deposited into the Costs of Issuance Fund and Investment Income on such Investment Income) and (iii) payments made under the Note.

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

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

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

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

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

“*Security Instrument*” means the Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of July 1, 2007, together with all riders and exhibits, securing the Note and the obligations of the Borrower to the Credit Provider under the Credit Facility Documents, executed by the Borrower with respect to the Mortgaged Property, as it may be amended, supplemented or restated from time to time, or any security instrument executed in substitution therefor, as such substitute security instrument may be amended, supplemented or restated from time to time.

“*Sinking Fund Payment*” means, as of any particular date of calculation, the amount required to be paid on a single future date for the retirement of Outstanding Bonds that mature after such future date, but excluding any amount payable by reason of the maturity of a Bond or by optional redemption at the election of the Borrower.

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

“*State*” means the State of Texas.

“*Substitution Date*” means the date upon which an Alternate Credit Facility is to be substituted for the Credit Facility then in effect, which date must be an Interest Payment Date during a Weekly Variable Rate Period.

“*Tax Certificate*” means, collectively, the No-Arbitrage Certificate of the Issuer and the Borrower’s Tax Certificate, each dated the Closing Date, executed and delivered by the Issuer and the Borrower, respectively.

“*Tax Event*” has the meaning given to that term in the Indenture.

“*Tender Agent*” means Wells Fargo Bank, National Association, a national banking association organized under the laws of the United States, the Tender Agent named in the Indenture or its successor as Tender Agent under the Indenture named in accordance with the Indenture.

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

“*Tender Agent’s Fee*” means \$0.

“*Tender Date*” means, for a Mandatory Tender, the Mandatory Tender Date or, for an Optional Tender, the date the Trustee must purchase a Bond from a tendering Beneficial Owner pursuant to an Optional Tender.

“*Tendered Bond*” means any Bond which has been tendered for purchase pursuant to a Mandatory Tender or an Optional Tender.

“*Termination Date*” means January 15, 2010 (subject to two six-month extensions) or such other date as may be determined in accordance with the Construction Phase Financing Agreement or as Fannie Mae may otherwise determine by written notice to the Borrower, the Construction Lender, the Issuer, the Loan Servicer and the Trustee from time to time.

“*Third Party Fees*” means the Asset Oversight Agent’s Fee, the Issuer’s Fee, the Rebate Analyst’s Fee, the Remarketing Agent’s Fee, the Tender Agent’s Fee and the Trustee’s Annual Fee. None of the Fees and Expenses, the Letter of Credit Fee or the Facility Fee is a Third Party Fee.

“*Transaction Documents*” means the Bond Documents, the Construction Phase Credit Documents, the Loan Documents and the Credit Facility Documents.

“*Trust Estate*” means the property, interests, rights, money, securities and other amounts pledged and assigned pursuant to the Indenture and the property, rights, money, securities and other amounts pledged and assigned by the Issuer to the Trustee and the Credit Provider pursuant to the Assignment.

“*Trustee*” means Wells Fargo Bank, National Association, a national banking association organized under the laws of the United States, or its successors or assigns, or any other corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at any time serving as successor trustee under the Indenture.

“*Trustee’s Annual Fee*” means the annual continuing trust administration fee in the amount of \$5,500 payable by the Borrower as provided in the Financing Agreement, payable annually in advance on each July 15, provided that the first Trustee’s Annual Fee for the period from the Closing Date to July 15, 2008 will be paid on the Closing Date.

“*Underwriter*” means Citigroup Global Markets Inc.

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

- (a) the first Week will begin on the Closing Date and end on and include July 25, 2007;
- (b) the first Week of a Weekly Variable Rate Period immediately following an Adjustment Date will begin on such Adjustment Date and end on and include the following Wednesday;
- (c) any Week ending immediately before an Adjustment Date will begin on a Thursday and end on the day before such Adjustment Date;
- (d) the final Week will begin on a Thursday and end on the earlier of an Adjustment Date or the Maturity Date; and
- (e) the first and last Weeks of a Weekly Variable Rate Period may consist of more (but not more than 13) or less than 7 days.

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

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

“*Wrongful Dishonor*” means an uncured failure by the Credit Provider to make an Advance to the Trustee upon proper presentation of documents that conform to the terms and conditions of the Credit Facility.



[This page intentionally left blank]

## APPENDIX B

### SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE

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

#### **Funds and Accounts**

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

- (a) the Loan Fund and within the Loan Fund, the Project Account containing a Bond Proceeds Subaccount and a Borrower Equity Subaccount therein, and the Capitalized Moneys Account containing a Bond Proceeds Subaccount and a Borrower Equity Subaccount therein;
- (b) the Revenue Fund and within the Revenue Fund, the Interest Account, the Credit Facility Account, the Redemption Account and the Fees Account;
- (c) the Costs of Issuance Fund and within the Costs of Issuance Fund, the Costs of Issuance Deposit Account and the Bond Proceeds Account;
- (d) the Rebate Fund;
- (e) so long as any Bonds are Outstanding and have not been adjusted to the Fixed Rate, the Bond Purchase Fund; and
- (f) the Principal Reserve Fund.

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

#### **Loan Fund**

Deposits and Disbursements. In addition to the initial deposits set forth in the Indenture, the Trustee will deposit to the Borrower Equity Subaccount of the Capitalized Moneys Account any additional moneys designated for such purpose that it receives from the Borrower subsequent to the initial delivery of the Bonds and prior to the Conversion Date. Until the earlier of (a) the depletion of the Capitalized Moneys Account and (b) the Conversion Date (the Conversion Date being included as a date on which or for which, as the case may be, the Trustee is directed to perform this function), the Trustee will automatically transfer amounts on deposit in the Capitalized Moneys Account as follows: (i) not later than three Business Days prior to each Interest Payment Date, the Trustee will transfer to the Interest Account, first from the Bond Proceeds Subaccount and second from the Borrower Equity Subaccount, an amount equal to the interest which will be payable on such Interest Payment Date by the Borrower under the Note; (ii) not later than three Business Days prior to each Interest Payment Date, the Trustee will transfer to the Interest Account from the Borrower Equity Subaccount an amount equal to the amount of the Facility Fee payable to the Credit Provider under the Reimbursement Agreement; (iii) not later than three Business Days prior to the date on which any Third Party Fee is due, the Trustee will transfer to the Fees Account from the Borrower Equity Subaccount, the amount of such Third Party Fee; and (iv) so long as the Letter of Credit is outstanding, not later than three Business Days prior to the date on which the Letter of Credit Fee is due under the Construction Phase Reimbursement Agreement, the Trustee will transfer to the Interest Account from the Borrower Equity Subaccount an amount equal to the amount of such Letter of Credit Fee due. Notwithstanding the foregoing, (a) all amounts in the Bond Proceeds Subaccount of the Capitalized Moneys Account will be applied at the written direction of the Borrower

certified by the Borrower to be in accordance with Section 1201.042(a)(1) of the Texas Government Code, (b) all amounts in the Bond Proceeds Subaccount of the Capitalized Moneys Account will only be applied for the purpose of, and in accordance with, the provisions of the Indenture described under clause (i) above, and (c) the Bond Proceeds Subaccount of the Capitalized Moneys Account will be closed upon the earlier of (i) six months after the construction of the Project is completed, as certified by the Borrower, or (ii) January 1, 2010, and any moneys then remaining on deposit in such Subaccount, including any Investment Income therein, will be transferred to the Redemption Account as described under the first paragraph of "Transfers to Effect Certain Mandatory Redemptions of Bonds" below. Upon final disbursement of all amounts on deposit in the Capitalized Moneys Account, the Trustee will close the Capitalized Moneys Account and deliver a complete accounting of such account to the Borrower.

In addition to the initial deposits set forth in the Indenture, the Trustee will deposit into the Borrower Equity Subaccount of the Project Account any additional moneys designated for such purpose that it receives from the Borrower subsequent to the initial delivery of the Bonds. The Trustee will make disbursements from the Project Account in accordance with the terms of the Indenture and only upon the receipt of applicable requisitions for the sole purpose of paying Development Costs.

Transfers to Effect Certain Mandatory Redemptions of Bonds. On the Conversion Date (and, if applicable, from time to time after the Conversion Date) the Trustee will transfer to the Redemption Account such amounts remaining on deposit in the Loan Fund, excluding from such transfer, however, any amount the Loan Servicer determines is required to pay Development Costs which are then not yet due and payable or which are then contested in good faith. The Trustee will apply any amounts so transferred to the redemption of Bonds pursuant to the terms of the Indenture. See "THE BONDS — Redemption Provisions — Mandatory Redemption — Excess Loan Funds."

If the Credit Provider notifies the Trustee pursuant to the Indenture that either (a) the Conditions to Conversion have not been satisfied prior to the Termination Date or (b) a Borrower Default has occurred or (c) the Construction Lender has directed Fannie Mae to draw on the Letter of Credit due to an event of default by the Borrower under the Construction Phase Reimbursement Agreement, then: (i) the Trustee will not make any further disbursement from the Project Account and (ii) the Trustee will transfer any amounts remaining on deposit in the Loan Fund to the Redemption Account three Business Days prior to the Redemption Date determined for the redemption of the Bonds as described under "THE BONDS — Redemption Provisions — Mandatory Redemption — Failure of Conversion or Borrower Default."

If, however, the Trustee purchases the Bonds for the account of the Construction Lender as described under "THE BONDS – Special Purchase in Lieu of Redemption", the Trustee will make the transfer described in the immediately preceding paragraph on such later date as the Construction Lender specifies, but in any event not later than three years after the Closing Date. The Trustee will apply any amounts so transferred to the Redemption Account to the redemption of Bonds as described under "THE BONDS – Redemption – Mandatory Redemption – Failure of Conversion or Borrower Default."

Immediately prior to any mandatory redemption of the Bonds in whole (a) in the event of casualty or condemnation or (b) as described under "THE BONDS – Redemption Provisions – Mandatory Redemption – Failure of Conversion or Borrower Default", any amounts then remaining in the Loan Fund will, at the written direction of the Credit Provider, be transferred to the Redemption Account to be applied to the redemption of Bonds pursuant to the applicable provision of the Indenture.

#### **Revenue Fund – Interest Account**

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

(a) moneys provided by or on behalf of the Borrower relating to an interest payment under the Note whether paid pursuant to the Assignment or otherwise;

(b) moneys provided by or on behalf of the Borrower for the payment of the Facility Fee to the Credit Provider under the Reimbursement Agreement whether paid pursuant to the Assignment or otherwise;

(c) moneys transferred from the Capitalized Moneys Account pursuant to the terms of the Indenture governing disbursements and transfers from the Loan Fund (as described above under the subheading "Loan Fund — Disbursements" above) whether to pay accrued interest on the Bonds, the Facility Fee to the Credit Provider under the Reimbursement Agreement, the Letter of Credit Fee to the Construction Lender or otherwise;

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

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

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

(a) On each (i) Interest Payment Date on or prior to the Conversion Date, (ii) Redemption Date and (iii) date of acceleration of the Bonds, the Trustee will disburse (x) to the Credit Provider, the amount of the interest component of any Advance under the Credit Facility for the payment of interest on the Bonds or (y) in the event of a Wrongful Dishonor until such Wrongful Dishonor is cured, to the Bondholders, an amount equal to the interest due on the Bonds on such date;

(b) (i) On each Interest Payment Date on or prior to Conversion, to the Credit Provider the amount of its Facility Fee and (ii) on the quarterly date required pursuant to the Construction Phase Reimbursement Agreement, to the Construction Lender, the Letter of Credit Fee;

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

(d) Unless there is (i) a deficiency in the Principal Reserve Fund, the Fees Account or the Rebate Fund or (ii) other than as described in paragraph (c) above, an Event of Default under the Reimbursement Agreement or any Bond Document or a default under any Loan Document has occurred and is continuing, the Investment Income earned on the Interest Account will be retained therein and used for the purposes set forth above. If a deficiency exists in the Principal Reserve Fund, the Fees Account or the Rebate Fund, such Investment Income will be transferred to the Principal Reserve Fund, the Fees Account and/or the Rebate Fund, in that order of priority.

## **Revenue Fund – Redemption Account**

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

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

(b) moneys transferred from the Loan Fund pursuant to the provisions of the Indenture governing transfers from the Loan Fund to effect certain mandatory redemptions of Bonds (as described above under the subheading “Loan Fund – Transfers to Effect Certain Mandatory Redemptions of Bonds”);

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

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

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

Disbursements from the Redemption Account. On each Redemption Date, date of acceleration of the Bonds and the Maturity Date, the Trustee will disburse from the Redemption Account (a) to the Credit Provider, the amount of the principal component of any Advance under the Credit Facility for the payment of principal on the Bonds, or, (b) in the event of a Wrongful Dishonor, to the Bondholders, an amount equal to the principal due on the Bonds on such date. In addition, on any date on which premium payable on Bonds in connection with a redemption of such Bonds is due, the Trustee will disburse to the Bondholders, from the segregated subaccount in the Redemption Account, Available Moneys in an amount sufficient to pay such premium.

## **Revenue Fund – Credit Facility Account**

Deposits into the Credit Facility Account. The Trustee will deposit into the Credit Facility Account all Advances under the Credit Facility, except for (i) Advances on account of the Issuer’s Fee and (ii) Mandatory Tender Advances and Liquidity Advances. That portion of any Advance on account of the Issuer’s Fee will be deposited into the Fees Account. Any Mandatory Tender Advance or any Liquidity Advance will be deposited into the Bond Purchase Fund pursuant to the Indenture. No other moneys will be deposited into the Credit Facility Account and the Credit Facility Account will be maintained as a segregated account and moneys therein will not be co-mingled with any other moneys held under the Indenture. The Credit Facility Account will be closed at such time as the Credit Provider has no continuing liability under the Credit Facility.

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

## **Revenue Fund – Fees Account**

Deposits into the Fees Account. The Trustee will deposit into the Fees Account all (a) moneys transferred from the Capitalized Moneys Account pursuant to the Indenture; (b) payments made by the Borrower under the Financing Agreement attributable to Third Party Fees, (c) payments made by the Borrower under the Financing Agreement attributable to the Fees and Expenses and (d) amounts derived from the Credit Facility for the payment of the Issuer's Fee.

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

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

## **Costs of Issuance Fund**

Deposits into the Costs of Issuance Fund. On or before the Closing Date the Borrower will deliver the Costs of Issuance Deposit to the Trustee. On the Closing Date, the Trustee will deposit or transfer, as applicable, the Costs of Issuance Deposit into the Costs of Issuance Deposit Account of the Costs of Issuance Fund. On the Closing Date, the Trustee will deposit any Net Bond Proceeds received to pay Costs of Issuance into the Bond Proceeds Account of the Costs of Issuance Fund.

Disbursements from the Costs of Issuance Fund. The Trustee will disburse moneys on deposit in the Costs of Issuance Fund, in accordance with the terms of the Indenture pursuant to applicable requisitions, to pay Costs of Issuance. Moneys on deposit in the Costs of Issuance Deposit Account of the Costs of Issuance Fund will not be part of the Trust Estate and will be used solely to pay Costs of Issuance. Moneys on deposit in the Bond Proceeds Account of the Costs of Issuance Fund will be part of the Trust Estate and will be used to pay Costs of Issuance.

Disposition of Remaining Amounts. Any moneys remaining in the (i) Costs of Issuance Deposit Account of the Costs of Issuance Fund six months after the Closing Date and not still needed to pay unpaid Costs of Issuance pursuant to a requisition from the Borrower provided prior to such date as set forth in the Indenture will be returned to the Borrower and (ii) Bond Proceeds Account six months after the Closing Date and not still needed to pay Costs of Issuance pursuant to a requisition from the Borrower provided prior to such date as set forth in the Indenture will be transferred to the Bond Proceeds Subaccount of the Project Account of the Loan Fund. Upon final disbursement, the Trustee will close the Costs of Issuance Fund.

## **Rebate Fund**

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

Within 30 days after each Computation Date, the Trustee, on behalf of the Issuer, will withdraw such portion of the Rebate Amount (determined by the Rebate Analyst on behalf of the Borrower) and pay such funds to the United States of America

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

All payments to the United States of America as described in this section will be made by the Trustee for the account and in the name of the Issuer and will be paid by draft posted by registered United States mail (return receipt requested), addressed to the appropriate Internal Revenue Service Center (and, if appropriate, accompanied by the relevant Internal Revenue Service Form 8038-T or such other statements, explanation or forms as may be required).

If at any time during the term of the Indenture the Issuer, the Trustee or the Borrower desires to take any action which would otherwise be prohibited by the terms described in this section, such Person will be permitted to take such action if it will first obtain and provide at the expense of the Borrower to the other Persons named in the Indenture, a Favorable Opinion of Bond Counsel .

Moneys and securities held by the Trustee in trust in the Rebate Fund will not be deemed funds of the Issuer and none of the Issuer, the Bondholders, or the Credit Provider will have any rights in or claim to such moneys.

## **Bond Purchase Fund**

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

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

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

## **Principal Reserve Fund**

Deposits into the Principal Reserve Fund. The Trustee will deposit each of the following amounts into the Principal Reserve Fund: (a) all of the monthly payments made by the Borrower in accordance with the schedule attached to the Reimbursement Agreement, as such schedule may be amended in accordance with the provisions of the Reimbursement Agreement; and (b) Investment Income earned on amounts on deposit in the Principal Reserve Fund.

Disbursements from the Principal Reserve Fund. The Trustee will pay or transfer amounts on deposit in the Principal Reserve Fund as follows:

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

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

(c) at the written direction of the Credit Provider, if a default has occurred under the Credit Facility Documents, any Loan Document or any Bond Document, to the Credit Provider for any use approved in writing by the Credit Provider;

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

(e) unless the Credit Provider otherwise requires, on each Adjustment Date, to the Redemption Account;

(f) during a Weekly Variable Rate Period, if the aggregate amount on deposit in the Principal Reserve Fund (excluding all Investment Income) on the tenth day of any month equals or exceeds \$100,000, an amount equal to the amount on deposit in the Principal Reserve Fund (rounded downward to the nearest integral multiple of \$100,000), to the Redemption Account; and

(g) pay to the Borrower, Investment Income on moneys in the Principal Reserve Fund on the Interest Payment Date following receipt by the Trustee of such interest or profits; provided that there is no deficiency in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account or the Rebate Fund, and that the Trustee has not received written notice from the Credit Provider or the Loan Servicer to the effect that an Event of Default has occurred under the Credit Facility Documents, any Loan Document or any Bond Document. If a deficiency exists in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account or the Rebate Fund, the Trustee will transfer such Investment Income to the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account and/or the Rebate Fund, in that order of priority, prior to any payment to the Borrower.

## **Moneys to be Held in Trust**

Except for (a) moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given and (b) moneys on deposit in the Costs of Issuance Fund, the Rebate Fund and the Fees Account, all moneys required to be deposited with or paid to the Trustee for



the account of any Fund or Account are to be held by the Trustee in trust and, while held by the Trustee, will constitute part of the Trust Estate and be subject to the security interest created by the Indenture.

### **Moneys Held for Particular Bonds**

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

### **Nonpresentation of Bonds**

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

### **Disposition of Remaining Moneys**

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

### **Investment Limitations**

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

Reserve Fund, upon receipt, will be deposited into the Interest Account. Investment Income from moneys held in the Loan Fund, the Rebate Fund, the Costs of Issuance Fund and the Principal Reserve Fund will remain in the respective Fund where earned.

### **The Credit Facility**

Acceptance of the Credit Facility. The Trustee will hold the Credit Facility and will enforce in its name all rights of the Trustee and all obligations of the Credit Provider under the Credit Facility for the benefit of the Bondholders. The Trustee will not assign or transfer the Credit Facility except to a successor Trustee under the Indenture. The Issuer and the Trustee acknowledge in the Indenture that the obligations of Fannie Mae as the Credit Provider under the initial Credit Facility are not backed by the full faith and credit of the United States of America, but by the credit of Fannie Mae, a federally-chartered, stockholder owned corporation.

Requests for Advances under the Credit Facility. The Trustee will request Advances under the Credit Facility in accordance with its terms and cause the proceeds of each Advance to be applied so that full and timely payments are made on each date on which payment of principal, interest or purchase price is due on any Bond or any payment of the Issuer's Fee is due and not paid by the Borrower pursuant to the Financing Agreement. The Trustee will not request, and will not apply the proceeds of, any Advance to pay (i) principal of, interest on, or the purchase price of, any Pledged Bond or any Bond known by the Trustee to be held by the Borrower or any Affiliate of the Borrower, (ii) premium that may be payable upon the redemption of any of the Bonds or (iii) interest that may accrue on any of the Bonds on or after the maturity of such Bond. Prior to requesting an Advance to pay principal of or interest on the Bonds on an Interest Payment Date, the Trustee will determine the amount necessary to make such payment of principal or interest.

### **Alternate Credit Facility**

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

- (a) the Alternate Credit Facility meets the requirements of the Indenture;
- (b) the Substitution Date for the Alternate Credit Facility is an Interest Payment Date during a Weekly Variable Rate Period;
- (c) the Alternate Credit Facility is effective on and from the Substitution Date for such Alternate Credit Facility; and
- (d) the Trustee and the Remarketing Agent receive on or prior to the effective date of the Alternate Credit Facility (i) an Opinion of Counsel to the Credit Provider issuing the Alternate Credit Facility, in form and substance satisfactory to the Issuer and the Trustee, relating to the due authorization and issuance of the Alternate Credit Facility and its enforceability and (ii) a Favorable Opinion of Bond Counsel.

The Trustee will give notice to the Bondholders of the substitution of such Alternate Credit Facility for the Credit Facility then in effect as provided in the Indenture. On the Substitution Date, the Trustee will draw, if necessary, on the Credit Facility being replaced and will not surrender such Credit Facility until all requests thereon have been honored.

## **Limitations on Rights of Credit Provider**

Notwithstanding anything contained in the Indenture to the contrary, all provisions in the Indenture regarding consents, approvals, directions, waivers, appointments, requests or other actions by the Credit Provider will be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and will be read as if the Credit Provider were not mentioned in such provisions (i) if a Wrongful Dishonor has occurred and is continuing, or (ii) after the Credit Facility ceases to be valid and binding on the Credit Provider for any reason, or is declared to be null and void by final judgment of a court of competent jurisdiction; provided, however, that the Credit Provider's right to notices and the payment of amounts due to the Credit Provider will continue in full force and effect. The foregoing will not affect any other rights of the Credit Provider.

## **Discharge of Lien and Security Interest**

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

Conditions to Discharge. The conditions precedent to the actions described in the immediately preceding paragraph are (a) payment in full of the Bonds, (b) payment of the Trustee's Annual Fee and the Trustee's ordinary costs and expenses under the Indenture, (c) receipt by the Trustee of a written statement from the Credit Provider stating that all obligations owed to the Credit Provider under the Credit Facility Documents have been fully paid, (d) payment of all Extraordinary Items, (e) receipt by the Trustee of a written statement from the Issuer stating that all amounts owed to the Issuer in respect of Reserved Rights (including all Issuer's Fees) have been fully paid, (f) receipt by the Trustee of a written statement from the Asset Oversight Agent stating that all amounts owed to the Asset Oversight Agent have been fully paid and (g) receipt by the Trustee of an Opinion of Counsel, at the expense of the Borrower, stating that all conditions precedent to the satisfaction and discharge of the Indenture have been satisfied. The Reserved Rights of the Issuer and the rights and powers granted to the Trustee with respect to the payment, transfer and exchange of Bonds will survive the cancellation and discharge of the Indenture.

## **Payment of Outstanding Amounts**

If the Bonds have been paid in full, but any one or more of the other conditions precedent described above under "Discharge of Lien and Security Interest – Conditions to Discharge" are not satisfied because an amount has not been paid, the Trustee, prior to cancellation and discharge of the Indenture, will pay to the persons listed below, in the strict order described below, the amounts required to satisfy those conditions precedent:

(a) If any portion of the Trustee's Annual Fee or ordinary costs and expenses of the Trustee remain unpaid, the Trustee will pay to itself so much of the Trust Estate as will fully pay such unpaid amounts. No Extraordinary Items may be included in such payment.

(b) If the Trustee receives a written statement from the Credit Provider stating that moneys are owed to the Credit Provider under the Credit Facility Documents or the Loan Documents, the Trustee

will pay to the Credit Provider so much of the remaining Trust Estate as will fully pay all amounts due and owing to the Credit Provider, as determined by the Credit Provider.

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

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

(e) If the Trustee receives a written statement from the Construction Lender stating that moneys are owed to the Construction Lender under the Construction Phase Credit Documents, the Trustee will pay to the Construction Lender so much of the remaining Trust Estate as will fully pay all amounts due and owing to the Construction Lender.

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

#### **Defeasance**

The Bonds may not be defeased pursuant to the Indenture if the Bonds are in the Weekly Variable Rate Mode.

#### **Defaults and Remedies**

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

(a) default in the payment when due and payable of any interest due on any Bond (other than a Pledged Bond) or, unless the Construction Lender specifies otherwise, by written notice to the Trustee, on any Special Purchase Bond;

(b) default in the payment when due and payable of (i) the principal of or any redemption premium on any Bond (other than a Pledged Bond) or, unless the Construction Lender specifies otherwise by written notice to the Trustee, on any Special Purchase Bond at maturity or upon any redemption or (ii) the purchase price of any Tendered Bond (other than a Pledged Bond);

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

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

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

(f) a Wrongful Dishonor.

Non-Default and Prohibition of Mandatory Redemption upon Tax Event. The occurrence of any event ("Tax Event") which results in the interest payable on the Bonds being includable, for federal income tax purposes, in the gross income of the Bondholders, including any violation of any provision of

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

### **Acceleration, Redemption and Mandatory Tender**

Upon (a) the occurrence and during the continuance of a Wrongful Dishonor, the Trustee may, and, upon the written request of Bondholders owning not less than 51 percent in aggregate principal amount of Bonds then Outstanding, must, by written notice to the Issuer, the Borrower, the Construction Lender, the Credit Provider and the Loan Servicer, declare the principal of all Bonds and the interest accrued, and to accrue, on the Bonds to the date of payment immediately due and payable; or (b) the occurrence of any other Event of Default under the Indenture, the Trustee may, upon receiving the prior written consent of the Credit Provider, and must, upon the written direction of the Credit Provider requiring that the Bonds be accelerated under the Indenture as described in this clause (b), by written notice to the Issuer, the Borrower, the Credit Provider, the Construction Lender and the Loan Servicer, declare the principal of all Bonds and the interest accrued, and to accrue, on the Bonds to the date of declaration immediately due and payable.

Upon the occurrence of an Event of Default as described under clause (d) of “Defaults and Remedies” above, (a) if the Credit Provider so directs pursuant to the Indenture as described under “THE BONDS — Redemption Provisions — Mandatory Redemption — After an Event of Default under the Reimbursement Agreement”, the Bonds will be redeemed in whole or in part in the amount specified by and at the direction of the Credit Provider, or (b) if the Credit Provider so directs pursuant to the Indenture as described under “THE BONDS — Mandatory Tender and Purchase — Mandatory Tender Upon Default; Notice”, the Bonds will be subject to Mandatory Tender.

Notwithstanding any other provision of the Indenture to the contrary, if the Credit Provider directs that the Bonds be redeemed in part pursuant to the Indenture as described under “THE BONDS — Redemption Provisions — Mandatory Redemption — After an Event of Default under the Reimbursement Agreement”, the Credit Provider may further direct on one or more other occasions under the provisions of the Indenture described in the preceding paragraph that the Bonds be redeemed in whole or in part or that the Bonds be subject to Mandatory Tender.

Upon any decision to accelerate payment of the Bonds, the Trustee will notify the Construction Lender and the Bondholders of the declaration of acceleration, that, in the event of acceleration pursuant to an event described in clause (b) under the first paragraph above of this “Acceleration, Redemption and Mandatory Tender” caption, interest on the Bonds will cease to accrue upon such declaration, and payment of the Bonds will be made upon presentment of the Bonds at the Designated Office of the Trustee. Such notice will be sent by registered mail or overnight delivery service, postage prepaid, or, at

the Trustee's option, may be given by Electronic Means to each Registered Owner of Bonds at such Registered Owner's last address appearing in the Bond Register. Any defect in or failure to give notice of such declaration will not affect the validity of such declaration.

Upon the direction of the Credit Provider to redeem the Bonds in whole or in part pursuant to the Indenture as described under "THE BONDS — Redemption Provisions — Mandatory Redemption — After an Event of Default under the Reimbursement Agreement" and as provided in the Indenture, immediate notice of redemption will be given. Upon any direction of the Credit Provider that the Bonds be subject to Mandatory Tender, the Trustee will give notice to the Bondholders as provided in the Indenture as described under "THE BONDS — Mandatory Tender and Purchase — Mandatory Tender Upon Default; Notice."

Immediately upon acceleration, mandatory redemption or Mandatory Tender of the Bonds, the Trustee will request an Advance under the Credit Facility in accordance with its terms.

### **Other Remedies**

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

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

(b) the liquidation of the Trust Estate; or

(c) an action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders and to execute any other papers and documents and do and perform any and all such acts and things as may be necessary or advisable in the opinion of the Credit Provider in order to have the respective claims of the Bondholders against the Issuer allowed in any bankruptcy or other proceeding.

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

### **Remedies Not Exclusive; Delay or Omission**

No right or remedy conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other right or remedy, but each and every such right and remedy will be cumulative and in addition to any other right or remedy given to the Trustee or to the Bondholders under the Indenture or under the Financing Agreement, the Regulatory Agreement or the Credit Facility or now or later existing at law or in equity. No delay or omission to exercise any right or remedy provided in the

Indenture will impair any such right or remedy or be construed to be a waiver of any Event of Default or acquiescence in it. Every such right and remedy may be exercised from time to time as often as may be deemed expedient.

### **Waiver**

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

(i) unless the waiver is directed by the Credit Provider and the Construction Lender, the Credit Provider and the Construction Lender must consent to such waiver in writing;

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

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

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

### **Rights of the Credit Provider and the Bondholders to Direct Proceedings; Rights and Limitations Applicable to Bondholders, Issuer and Trustee**

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

No Bondholder has or will have the right to enforce the provisions of the Indenture or the Financing Agreement, or to institute any proceeding in equity or at law for the enforcement of the Indenture or the Financing Agreement, or to take any action with respect to an Event of Default under the Indenture or an Event of Default under the Financing Agreement, or to institute, appear in or defend any suit or other proceeding with respect to the Indenture or the Financing Agreement upon an Event of Default unless (a) such Event of Default is a Wrongful Dishonor, (b) such Bondholder has given the

Trustee, the Issuer, the Credit Provider, the Construction Lender, the Loan Servicer and the Borrower written notice of the Event of Default, (c) the holders of not less than 51% in aggregate principal amount of Bonds then Outstanding have requested the Trustee in writing to institute such proceeding, (d) the Trustee has been afforded a reasonable opportunity to exercise its powers or to institute such proceeding, (e) the Trustee has been offered reasonable indemnity, where required, and (f) the Trustee has thereafter failed or refused to exercise such powers or to institute such proceeding within a reasonable period of time. No Bondholder has or will have any right in any manner whatever to affect, disturb or prejudice the pledge of revenues or of any other moneys, Funds, Accounts or securities under the Indenture. Except as described in this paragraph, no Bondholder has or will have under the Indenture the right, directly or indirectly, individually or as a group, to seek to enforce, collect amounts available under, or otherwise realize on, the Credit Facility.

### **Discontinuance of Proceedings**

If the Trustee or any Bondholder has instituted any proceeding or remedy under the Indenture, and such proceedings have been discontinued or abandoned for any reason, or have been determined adversely, then and in every such case the Issuer, the Credit Provider and the Trustee will be restored to their former positions and rights under the Indenture, and all rights, remedies, powers, duties and obligations of the Issuer, the Trustee and the Credit Provider will continue as if no such proceedings had been taken, subject to the limits of any adverse determination.

### **Application of Moneys**

Amounts derived from payments under the Credit Facility (other than amounts derived from an Advance to pay the Issuer's Fee) will be deposited into the Credit Facility Account and applied solely to pay the principal of and interest on the Bonds. Amounts on deposit in the Bond Purchase Fund will be applied solely to pay the purchase price of the Bonds. All other moneys received by the Trustee pursuant to any action taken under the terms of the Indenture governing Events of Default under the Indenture and remedies therefor, will be deposited into the Interest Account and the Redemption Account, as applicable, after payment of the ordinary fees, costs and expenses of the Trustee. The balance of such moneys, less such amounts as the Trustee determines may be needed for possible use in paying future fees and expenses and for the preservation and management of the Mortgaged Property (as identified by the Credit Provider), are to be applied as described in the following paragraphs.

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

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

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

Third – to the payment of amounts owed to the Credit Provider under the Credit Facility Documents and the Loan Documents, and then to any amounts due to the Trustee for Extraordinary Items,



for this purpose including the costs and expenses of any proceedings resulting in the collection of such moneys and of advances incurred or made by the Trustee.

If the principal of all the Bonds has become or been declared due and payable, all such moneys are to be applied first, to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably according to the amounts due respectively for principal and interest to the persons entitled to payment, until all such principal and interest has been paid; second, to pay the Credit Provider amounts owed to it under the Credit Facility Documents and the Loan Documents; third, to pay the Construction Lender amounts owed to it under the Construction Phase Credit Documents as specified by the Construction Lender to the Trustee in writing; and fourth, to any other amounts due and payable under the Indenture.

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

#### **The Trustee**

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

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

Resignation or Removal of Trustee. The Trustee may resign only upon giving 60 days prior written notice to the Issuer, the Credit Provider, the Construction Lender, the Loan Servicer, the Borrower and to each Registered Owner of Bonds then Outstanding as shown on the Bond Register. The Trustee may be removed at any time upon 30 days prior written notice to the Trustee, (a) by the Issuer with the prior written consent of the Credit Provider, not to be unreasonably withheld, (b) by the owners of not less than 51% in aggregate principal amount of Bonds then Outstanding, which written instrument will not be effective until a successor Trustee is appointed in accordance with the provisions described in "Appointment of Successor Trustee" below, or (c) by the Credit Provider with the prior written consent of the Issuer, not to be unreasonably withheld. Such resignation or removal will not be effective until a successor Trustee satisfying the requirements of the Indenture described under "Qualifications" above is appointed and has accepted its appointment.

Appointment of Successor Trustee. Upon the resignation or removal of the Trustee, a successor Trustee, satisfying the requirements described under "Qualifications" above will be appointed by the

Issuer with the prior written consent of the Credit Provider, not to be unreasonably withheld. If, in the case of resignation or removal of the Trustee, no successor is appointed by the Issuer within 30 days after the notice of resignation or within 30 days after removal, as the case may be, then, in the case of a resignation, the resigning Trustee will appoint a successor with the prior written consent of the Issuer and the Credit Provider or will apply to a court of competent jurisdiction for the appointment of a successor Trustee and, in the case of a removal, the Credit Provider will have the right to appoint a successor Trustee with the prior written consent of the Issuer, not to be unreasonably withheld or to apply to a court of competent jurisdiction for the appointment of a successor Trustee. The successor Trustee must accept in writing its duties and responsibilities under the Indenture, the Financing Agreement, the Assignment and the Regulatory Agreement. The successor Trustee will give notice of such succession by first-class mail, postage prepaid, to each Bondholder, the Issuer, the Construction Lender, the Credit Provider, the Loan Servicer and the Borrower.

### **The Tender Agent**

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

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

The Tender Agent may resign by giving no less than 30 days prior written notice to the Borrower, the Trustee, the Credit Provider, the Loan Servicer and the Issuer. The Tender Agent may be removed by the Issuer with the written approval of the Credit Provider, not to be unreasonably withheld, by an instrument signed by the Issuer stating the reason for such removal filed with the Tender Agent, the Trustee, and the Credit Provider. The Trustee or the Credit Provider is authorized, with the prior written approval of the Issuer and the Credit Provider or the Trustee, as applicable, such approval in each case not to be unreasonably withheld, to remove the Tender Agent and appoint a successor. No removal of the Tender Agent will be effective until a successor Tender Agent has been appointed and has accepted such appointment. Failing such appointment by the Issuer prior to the effective date of the Tender Agent's resignation, the Credit Provider will have the right to appoint a successor Tender Agent acceptable to the Issuer. Any successor Tender Agent will be a trust company or bank having trust powers and in good standing, within or without the State. The provisions described in this paragraph will apply if the resignation of the Tender Agent is due to the fact that the Tender Agent no longer exists. In no event will the resignation or removal of the Tender Agent take effect prior to the date a successor Tender Agent has been appointed and is serving under the Indenture and the Tender Agent Agreement.

## Supplemental Indentures; Amendments

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

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

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

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

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

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

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

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

(h) to comply with the Act, the rules or policies of the Issuer, the Code and the regulations and rulings issued with respect to the Code, to the extent determined as necessary in an opinion of Bond Counsel;

(i) to modify, alter, amend or supplement the Indenture in any other respect, including amendments which would otherwise be described in the provisions of the Indenture governing supplemental indentures requiring Bondholder consent (as described in "Supplemental Indentures Requiring Bondholder Consent" below), (A) if such amendments will take effect on a Mandatory Tender Date following the purchase of Tendered Bonds or (B) 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 of such amendment, modification, alteration or supplement and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to the Indenture; or

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

If the Trustee has received written confirmation from the Rating Agency to the effect that such supplemental indenture will not result in the suspension, withdrawal or reduction of the then current

rating on the Bonds and all conditions precedent in the Indenture have been satisfied, the Trustee will join the Issuer in the execution of any such supplemental indenture.

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

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

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

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

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

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

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

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

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

(i) the amendment of the provisions of the Indenture described in this paragraph without the consent of the holders of all of the Bonds then Outstanding.

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

**No Bondholder Consent Required  
for Amendment to Loan Documents**

Unless a Wrongful Dishonor has occurred and is continuing, the Credit Provider alone (with the concurrence of the Construction Lender, unless the change is required by law or will take effect from or after the Conversion Date, in which case no concurrence of the Construction Lender will be required) may consent to any amendment to the Loan Documents and no consent of the Bondholders is required; provided, however, that any amendment or substitution of the Note is to occur only following written confirmation of the Rating Agency that such amendment or substitution will not result in a reduction or withdrawal of the rating on the Bonds and receipt by the Trustee and the Issuer of a Favorable Opinion of Bond Counsel.

No amendment, change or modification of any Loan Document may be made under the Indenture which adversely affects the Reserved Rights without the prior written consent of the Issuer.

#### **Amendments to the Credit Facility**

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

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

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

## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT

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

#### **The Loan**

The Issuer has authorized the issuance of the Bonds in the aggregate principal amount of \$14,000,000. The Issuer has agreed to make the Loan in the amount of \$14,000,000 to the Borrower with the Net Bond Proceeds. Upon the issuance and delivery of the Bonds, the Issuer will deliver the Net Bond Proceeds to the Trustee. The Loan will be deemed made in full upon deposit of the Net Bond Proceeds into the Loan Fund. The Borrower will accept the Loan from the Issuer upon the terms and conditions set forth in the Financing Agreement and the Loan Documents, subject to the terms of the Indenture, the Regulatory Agreement and the Assignment. Disbursements will be made from the Loan Fund as provided in the Indenture. The Borrower has agreed in the Financing Agreement to apply the proceeds of the Loan to pay the costs of acquiring, constructing and equipping the Development.

The Loan will be evidenced by, payable in accordance with, and bear interest at the rates and on the terms provided in, the Note and secured by the Security Instrument.

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

#### **Payment of Fees, Costs and Expenses**

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

Fees Due at Closing. The Borrower will pay or provide for the payment of all Costs of Issuance, and the Trustee's acceptance fee, if any, on the Closing Date.

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

- (a) The Issuer's Fee.
- (b) The Trustee's Annual Fee.
- (c) The Asset Oversight Agent's Fee and all costs and expenses incurred by the Asset Oversight Agent at any time in connection with the Bonds.
- (d) The Tender Agent's Fee.
- (e) The Remarketing Agent's Fee.

(f) The Rebate Analyst's Fee.

Fees and Expenses. The Borrower has agreed in the Financing Agreement to pay or provide for the payment of the following fees and expenses:

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

(b) The Extraordinary Items.

(c) All advances, out-of-pocket expenses, costs and other charges of each of the Issuer, the Rebate Analyst, the Remarketing Agent, the Tender Agent and the Trustee incurred from time to time, but only to the extent that any such amounts are payable by the Borrower pursuant to an agreement between the Borrower and such Person regarding its services in connection with the Bonds or the Loan (including, without limitation, amounts incurred pursuant to the Regulatory Agreement).

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

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

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

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

#### **Borrower's General Obligation with Respect to the Bonds.**

The Borrower is unconditionally obligated pursuant to the Note to timely pay amounts sufficient to pay, when due, the principal of, premium, if any, and interest on, and the purchase price of the Bonds.

#### **Borrower's Obligations upon Tender of Bonds**

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

#### **Obligation of the Borrower to Pay Deficiencies**

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

## **Nature of Borrower's Obligations; Security for the Obligations**

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

Except as provided in the last sentence of this paragraph, the obligations of the Borrower under the Financing Agreement and the obligations of the Borrower under the Regulatory Agreement to pay money, including the obligations of the Borrower with respect to the Reserved Rights, will be (a) general obligations of the Borrower with recourse to the Borrower personally, and (b) subordinate and junior in priority, right of payment and all other respects to any and all obligations of the Borrower under the Loan Documents and to the Credit Provider under or in respect of the Credit Facility Documents. Nothing in this paragraph will apply to the obligations of the Borrower under any of the Loan Documents, including, without limitation, the obligation relating to the payment of principal and interest on the Note or the Bonds.

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

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



## **Additional Charges**

The Borrower has agreed to pay when due each and all of the following:

(a) (i) All indemnity payments required to be made under the Financing Agreement to the Issuer and the Trustee; (ii) all fees (including attorneys' fees) and expenses incurred by the Issuer to exercise its Reserved Rights; and (iii) all other expenses incurred by the Issuer and Trustee in relation to the Mortgaged Property which are not otherwise required to be paid by the Borrower under the terms of the Financing Agreement or any separate fee agreement, including costs incurred as a result of a request by the Borrower.

(b) Any and all extraordinary fees and expenses of the Issuer and of the Trustee incurred by or on behalf of either of them at any time related to the Mortgaged Property which are not paid from the amounts held under the Indenture, including, without limitation, legal fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of the Indenture, the transaction documents or any other documents relating to the Mortgaged Property or the Bonds or in connection with any federal or state tax audit or any questions or other matters arising under such documents. Such costs and expenses will include, without limitation, charges for title insurance (including endorsements), filing, recording and escrow charges, fees for appraisal, architectural and engineering review, construction services and environmental services, mortgage taxes, document review and preparation, expenses of legal counsel and any other fees and costs for services, regardless of whether such services are furnished by the Issuer's or Trustee's employees or agents or independent contractors. Amounts payable or reimbursable, as the case may be, as described under this heading will include, but not be limited to, (i) all costs of printing any replacement Bonds required to be issued under the Indenture to the extent such costs are not paid by the holders and (ii) the fees and expenses of any experts retained by the Trustee and/or Issuer pursuant to the terms of the Indenture or any of the Transaction Documents.

(c) In accordance with the terms of the Financing Agreement, any Costs of Issuance in excess of amounts available in the Costs of Issuance Fund.

(d) In accordance with the terms of the Financing Agreement, the Rebate Amount to the extent that the funds available under the Indenture for the payment thereof are not sufficient or available therefor.

## **Borrower's Obligations**

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

## **Events of Default and Remedies**

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

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

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

(c) The Credit Provider provides written notice to the Trustee of an Event of Default under the Financing Agreement by reason of the occurrence of an Event of Default under the Reimbursement Agreement. No Event of Default under the Reimbursement Agreement will constitute a default under the Financing Agreement unless specifically declared to be so by the Credit Provider.

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

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

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

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

#### **No Levy or Other Execution Against Mortgaged Property**

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

#### **Waiver and Annulment**

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

#### **No Remedy Exclusive**

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

**No Waiver**

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

**Enforcement of Reserved Rights**

Subject to the terms of the Regulatory Agreement and the Assignment, the Issuer, without the consent of the Trustee, but only after written notice to the Trustee, the Loan Servicer, the Credit Provider, the Construction Lender (so long as the Letter of Credit is in effect) and the Borrower, may take whatever action may appear necessary or desirable to specifically enforce the performance and observance of any of the Issuer's Reserved Rights, provided that the Issuer may not, without the prior written consent of the Trustee and the Credit Provider (a) terminate the Financing Agreement or cause the Loan to become due and payable or (b) cause the Trustee to declare the principal of all Bonds then Outstanding and the interest accrued on the Bonds to be immediately due and payable, or cause the Trustee to accelerate, foreclose or take any other action or seek other remedies under the Bond Documents, the Loan Documents or any other documents contemplated by the Financing Agreement or by such other documents to obtain such performance or observance. Nothing in the Financing Agreement will be interpreted as in any way limiting the ability of the Issuer from enforcing the provisions of the Regulatory Agreement.

## APPENDIX D

### SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT

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

#### **Tax-Exempt Status of the Bonds**

The Borrower will not take any action or omit to take any action which, if taken or omitted, respectively, would adversely affect the excludability of interest on the Bonds from gross income, as defined in Section 61 of the Code, for federal income tax purposes (subject to the inclusion of any exceptions contained in the opinion delivered upon the original issuance of the Bonds). With the intent not to limit the generality of the foregoing, the Borrower covenants and agrees that prior to the final maturity of the Bonds, unless it has received and filed with the Issuer and Trustee an opinion of Bond Counsel to the effect that failure to comply with any such covenant or agreement, in whole or in part, will not adversely affect the exclusion from gross income for federal income tax purposes of interest paid or payable on the Bonds (other than interest on any Bond for a period during which such Bond is held by a "substantial user" of any facility financed with the proceeds of the Bonds or a "related person," as such terms are used in Section 147(a) of the Code and except as a result of any minimum tax, preference tax or other similar tax):

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

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

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

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

(iv) that each Unit in the Development will contain complete facilities for living, sleeping, eating, cooking and sanitation, e.g., a living area, a sleeping area, bathing and sanitation facilities, and cooking facilities equipped with a cooking range, refrigerator and sink, all of which will be separate and distinct from other units;

(v) that each Unit in the Development will be rented or available for rental on a continuous basis to Eligible Tenants (subject to the limitations contained in the Regulatory Agreement and the Financing Agreement) at all times during the Qualified Project Period (unless occupied by or reserved for a resident manager, security personnel or maintenance personnel that are functionally related and subordinate to and reasonably required for the Development), that the Borrower will not give preference in renting Units to any particular class or group of persons, other than Low-Income Tenants, Persons with Special Needs, and other Eligible Tenants as provided in the Regulatory Agreement, and that at no time will any portion of the Development be exclusively reserved for use by a limited number of nonexempt persons in their trades or businesses;

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

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

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

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

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

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

### **Housing Development During the State Restrictive Period**

The Issuer and the Borrower have recognized and declared their understanding and intent that the Development is to be owned, managed and operated as a "housing development," as such term is defined

in Section 2306.004(13) of the Act, and in compliance with applicable restrictions and limitations as provided in the Act and the rules of the Issuer, until the expiration of the State Restrictive Period.

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

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

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

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

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

(e) the Borrower will expend at least \$7 per unit per month on tenant supportive services listed in an exhibit to the Regulatory Agreement.

#### **Repairs and Maintenance Required by State Law**

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

#### **Persons With Special Needs**

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

#### **Sale or Transfer of the Development or Change in General Partner**

The Borrower has covenanted and agreed not to sell, transfer or otherwise dispose of the Development, prior to the expiration of the Qualified Project Period (other than pursuant to the lease of Units to Eligible Tenants), without (a) complying with any applicable provisions of the Regulatory Agreement, Financing Agreement, the Owner Tax Certificate (as such term is defined in the Regulatory Agreement) and the other Loan Documents and (b) obtaining the prior written consent of the Issuer. Such

consent of the Issuer will not be unreasonably withheld and will be given if certain conditions to the sale or other disposition set forth in the Regulatory Agreement are met or waived in writing by the Issuer. Except as provided in the Regulatory Agreement, the Borrower may not change its general partner by transfer, sale or otherwise without the prior written consent of the Issuer. If and when the Fannie Mae Rider to the Regulatory Agreement (the "Fannie Mae Rider") is applicable, the requirements set forth above will not apply to certain transfers in which Fannie Mae is involved, all as more specifically set forth in the Fannie Mae Rider. Notwithstanding the foregoing, the requirements set forth above will not apply to any transfer of limited partnership interests in the Borrower.

### **Term**

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

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

### **Default; Enforcement by the Trustee and the Issuer**

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

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

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

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

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

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

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

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

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

#### **Amendments**

Subject to the provisions of the Regulatory Agreement, the Regulatory Agreement will be amended only by a written instrument executed by the parties thereto, or their successors in title, and duly recorded in the real property records of Harris County, Texas, and only upon receipt by the Issuer of an opinion from Bond Counsel that such amendment will not adversely affect the exclusion from gross income, for federal income tax purposes, of interest on the Bonds (other than interest on any Bond for a period during which such Bond is held by a "substantial user" of any facility financed with the proceeds of the Bonds or a "related person," as such terms are used in Section 147(a) of the Code and except as a



result of any minimum tax, preference tax or other similar tax), and is not contrary to the provisions of the Act. If and when the Fannie Mae Rider applies, the Issuer will not consent to any amendment without the prior written consent to Fannie Mae unless the Assigned Rights (as defined in the Assignment) are held solely by the Trustee.

### **Fannie Mae Rider**

A Fannie Mae Rider is attached to and forms a part of the Regulatory Agreement and in certain circumstances, specific terms of the Regulatory Agreement may be subordinate to the Fannie Mae Rider. The Fannie Mae Rider provides that upon any default by the Borrower under the Regulatory Agreement, the Issuer or the Trustee may seek specific performance of the obligations of the Borrower under the Regulatory Agreement and injunctive relief against acts which may be in violation of the Regulatory Agreement or otherwise unlawful; provided, however, the Issuer or the Trustee may enforce any right it may have under the Regulatory Agreement for monetary damages only against certain funds of the Borrower, unless the Credit Provider otherwise specifically consents in writing.

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

## APPENDIX E

### SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

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

The Credit Facility is issued pursuant to the Reimbursement Agreement. The Reimbursement Agreement obligates the Borrower, among other things, to reimburse Fannie Mae for funds advanced by Fannie Mae under the Credit Facility and to pay various fees and expenses. The Reimbursement Agreement sets forth various affirmative and negative covenants of the Borrower, some of which are more restrictive with respect to the Borrower than similar covenants contained in the Financing Agreement. The Reimbursement Agreement also includes various Events of Default, including, but not limited to, payment defaults, covenant defaults and cross-defaults to other documents, including in some cases other indebtedness.

Upon the occurrence of an Event of Default under the Reimbursement Agreement, Fannie Mae may, among other things, accelerate the Bonds, subject the Bonds to mandatory purchase and/or exercise any other rights or remedies available under any Transaction Document or take any other action, whether at law or in equity, without notice or demand, as it deems advisable to protect and enforce its rights.

Fannie Mae will have the right, in its sole discretion, to amend, modify, change, add to or delete any provisions of the Reimbursement Agreement, including, but not limited to, adding cross-defaults to any other documents and agreements, without receiving the consent of, or providing notice to, the Trustee, the Issuer or the Bondholders. Fannie Mae will also have the right, in its sole discretion, to waive any Event of Default under any Transaction Document. Unless such waiver expressly provides to the contrary, any waiver so granted will extend only to the specific event or occurrence which gave rise to the Event of Default so waived and not to any other similar event or occurrence which occurs subsequent to the date of such waiver.

[This page intentionally left blank]

APPENDIX F

PROPOSED FORM OF BOND COUNSEL OPINION

July \_\_, 2007

Texas Department of Housing and  
Community Affairs  
Austin, Texas

Wells Fargo Bank, National Association  
Houston, Texas

Citigroup Global Markets Inc.  
Denver Colorado

Fannie Mae  
Washington, D.C.

Ladies and Gentlemen:

We have represented the Texas Department of Housing and Community Affairs (the "Issuer") in connection with the issuance by the Issuer of its \$14,000,000 Multifamily Housing Revenue Bonds (Windshire Apartments) Series 2007 (the "Bonds") pursuant to a resolution adopted by the Issuer on December 14, 2006 (the "Bond Resolution") and a Trust Indenture dated as of July 1, 2007 (the "Indenture"), by and between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Bonds bear interest at the rate and mature on the date as provided in the Indenture. The Bonds are subject to mandatory and optional redemption prior to maturity as set forth in the Indenture. Capitalized terms used herein and not otherwise defined are used with the meanings assigned to such terms in the Indenture, in the Financing Agreement dated as of July 1, 2007 (the "Financing Agreement") among the Issuer, the Trustee and Windshire Apartments, L.P., a Texas limited partnership (the "Borrower"), or in the Regulatory and Land Use Restriction Agreement dated as of July 1, 2007 (the "Regulatory Agreement"), among the Issuer, the Trustee and the Borrower.

The Bonds are being issued for the purpose of obtaining funds to make a loan (the "Loan") to the Borrower to provide financing for the acquisition, construction and equipping of a residential rental development located within Harris County, Texas (the "Development"), to be occupied by individuals and families of low, very low and extremely low income and families of moderate income, as determined by the Issuer, and persons with special needs, all as required by the Act, and to be occupied at least partially (at least 40 percent) by Low-Income Tenants.

We have assumed with your permission and without independent verification (i) the genuineness of certificates, records and other documents submitted to us and the accuracy and completeness of the statements contained therein; (ii) the due authorization, execution and delivery of the Indenture by the parties thereto, and the validity and binding effect of the Indenture on such parties; (iii) that all documents and certificates submitted to us as originals are accurate and complete; (iv) that all documents and certificates submitted to us as copies are true and correct copies of the originals thereof; and (v) that all information submitted to us and on which we have relied was accurate and complete.

Bond Counsel's opinions also assume continuous compliance with all covenants and requirements set forth in the Indenture, the Financing Agreement and the Regulatory Agreement pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

The scope of our representation extends solely to an examination of the facts and law incident to rendering an opinion with respect to the legality and validity of the Bonds and the security therefore and with respect to the exclusion from gross income for federal income tax purposes of interest on the Bonds. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and we express no opinion relating thereto (excepting only the matters set forth as our supplemental opinion of Bond Counsel of even date herewith). We have not assumed any responsibility with respect to the financial condition or capability of the Issuer, the Borrower or Fannie Mae, as credit provider. We have participated in the preparation of and have examined a transcript of certain materials pertaining to the Bonds, including certain certified proceedings of the Issuer, the State of Texas, the Trustee and the Borrower, and customary certificates, opinions, affidavits and other documents executed by officers, agents and representatives of the Issuer, the State of Texas, the Trustee, the Borrower and others. We have also examined the fully-executed Bond numbered R-1.

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

1. The Issuer has duly authorized the issuance, execution and delivery of the Bonds. The Bonds constitute legal, valid and binding special limited obligations of the Issuer and are entitled to the benefit and security of the Indenture.
2. Interest on the Bonds is excludable from gross income for federal income tax purposes except with respect to the interest on any Bond for any period during which such Bond is held by a "substantial user" of the Development or a "related person," as those terms are defined for purposes of Section 147(a) of the Code.
3. Interest on the Bonds is an item of tax preference includable in alternative minimum taxable income for purposes of determining the alternative minimum tax on individuals and corporations.

In providing the opinions set forth in paragraphs 2 and 3 above, we have relied on, and assumed the accuracy and completeness of, representations made as of the date hereof by, among others, the Issuer, the Borrower and the Citigroup Global Markets Inc., with respect to matters solely within the respective knowledge of such parties, which matters we have not independently verified. Furthermore, in providing the opinions set forth in paragraphs 2 and 3 above, we have also assumed that there will be continuing compliance with the procedures, safeguards and covenants in the Indenture, the Financing Agreement, the Regulatory Agreement and the Tax Certificate pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. In the event that such representations are determined to be inaccurate or incomplete or the Issuer or the Borrower fails to comply with the foregoing procedures, safeguards and covenants, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of original delivery of the Bonds, regardless of the date on which the event causing such includability occurs.

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

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

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

The enforceability of certain provisions of the Bonds, the Bond Resolution, the Indenture and the Financing Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors. Furthermore, availability of equitable remedies under the Bonds, the Bond Resolution, the Indenture and the Financing Agreement may be limited by general principles of equity that permit the exercise of judicial discretion.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits" tax on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

The opinions set forth above speak only as of their date and only in connection with the Bonds and may not be applied to any other transaction. Such opinions are specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer and the Borrower have covenanted in the Indenture and the Financing Agreement not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Very truly yours,

[This page intentionally left blank]

**APPENDIX G**  
**PROPOSED FORM OF THE CREDIT FACILITY**



[This page intentionally left blank]

**DIRECT PAY  
IRREVOCABLE TRANSFERABLE  
CREDIT ENHANCEMENT INSTRUMENT**  
(Windshire Apartments)

July 18, 2007  
U.S. \$14,170,494  
Relating to Loan No. \_\_\_\_\_

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

At the request of Windshire Apartments, L.P. ("**Borrower**"), Fannie Mae ("**Fannie Mae**") issues this direct pay irrevocable, transferable Credit Enhancement Instrument ("**Credit Enhancement Instrument**") to Wells Fargo Bank, National Association ("**Trustee**"), not in its individual or corporate capacity but solely as Trustee for the owners of \$14,000,000 aggregate principal amount of the Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Windshire Apartments) Series 2007 ("**Bonds**") issued pursuant to the Trust Indenture ("**Indenture**") dated as of July 1, 2007 between the Texas Department of Housing and Community Affairs ("**Issuer**") and the Trustee.

**1. Definitions.** Capitalized terms used in this Credit Enhancement Instrument have the meanings given to those terms in this Section 1 or elsewhere in this Credit Enhancement Instrument.

"**Advance**" means a Debt Service Advance, an Issuer's Fee Advance, a Liquidity Advance or a Mandatory Tender Advance.

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

"**Amount Available**" has the meaning given that term in Section 2.

"**Business Day**" means any day other than:

- (a) a Saturday or a Sunday;

(b) any day on which banking institutions located in the City of New York, New York are required or authorized by law or executive order to close;

(c) any day on which banking institutions located in the city or cities in which the Designated Office (as that term is defined in the Indenture) of the Trustee is located are required or authorized by law or executive order to close;

(d) prior to the date upon which the interest rate on the Bonds adjusts to a fixed rate mode, a day on which the New York Stock Exchange is closed or on which banking institutions located in the city in which the Remarketing Agent is located are required or authorized by law or executive order to close; or

(e) on or after the Conversion Date, a day on which banking institutions located in the city in which the Designated Office of the Loan Servicer is located are required or authorized by law or executive order to close; or

(f) any day on which Fannie Mae is closed.

**“CEI Expiration Date”** means the date on which this Credit Enhancement Instrument expires in accordance with Section 9(a).

**“CEI Termination Date”** means the date on which this Credit Enhancement Instrument terminates in accordance with Section 9(b).

**“Certificate”** means any certificate in the form attached to this Credit Enhancement Instrument as an Exhibit or such other form as provided in Section 3. If the certificate is submitted to Fannie Mae by personal delivery or by telecopy, the certificate must be signed by one who purports to be an authorized signatory of the Trustee. If the certificate is submitted to Fannie Mae in any other medium (such as e-mail or a web based medium), the certificate must be authenticated as provided in the related Presentation Protocol.

**“Credit Enhancement Advance”** means a Debt Service Advance, an Issuer’s Fee Advance or a Mandatory Tender Advance.

**“Credit Enhancement Expiration Date”** means, subject to Section 7(c), the date the obligation of Fannie Mae to make Credit Enhancement Advances expires as provided in Section 7(a), if not earlier terminated.

**“Credit Enhancement Instrument”** means this Credit Enhancement Instrument as the same may be amended, supplemented or restated from time to time.

**“Credit Enhancement Termination Date”** means, subject to Section 7(c), the date on which the obligation of Fannie Mae to make Credit Enhancement Advances terminates as provided in Section 7(b).

**“Debt Service Advance”** has the meaning given that term in Section 3.

**“Excluded Bond”** means any Bond which is not Outstanding (as that term is defined in the Indenture), any Bond registered in the name of or otherwise owned, directly or indirectly, by the Borrower or any Affiliate of the Borrower or any Pledged Bond.

**“Interest Portion”** has the meaning given that term in Section 2.

**“Issuer’s Fee”** means 10 basis points per annum applied to the aggregate principal amount of the Bonds outstanding.

**“Issuer’s Fee Advance”** has the meaning given that term in Section 3.

**“Issuer’s Fee Portion”** has the meaning given that term in Section 2.

**“Liquidity Advance”** has the meaning given that term in Section 3.

**“Liquidity Expiration Date”** means, subject to Sections 8(b), (c) and (e), the date the obligation of Fannie Mae to make Liquidity Advances expires as provided in Section 8(a), if not earlier terminated.

**“Liquidity Termination Date”** means, subject to Section 8(e), the date on which the obligation of Fannie Mae to make Liquidity Advances terminates as provided in Section 8(d).

**“Loan”** means the mortgage loan made by the Issuer to the Borrower pursuant to the Financing Agreement for the purpose of providing funds to the Borrower to finance the acquisition, construction, equipping and permanent financing of the Mortgaged Property.

**“Loan Servicer”** means initially Citibank, N.A. or any other entity approved by Fannie Mae in its discretion as the servicer of the Loan, and any permitted successors or assigns.

**“Mandatory Tender”** means any tender of Bonds required by Section 4.2(a) or (b) of the Indenture.

**“Mandatory Tender Advance”** has the meaning given that term in Section 3.

**“Maturity Date”** means January 15, 2041.

**“Note”** means the Multifamily Note (together with all addenda thereto) dated as of July 1, 2007, executed by the Borrower in favor of the Issuer, as the same may be amended, supplemented or restated from time to time or any mortgage note executed in substitution therefor in accordance with the terms of the Bond Documents, as such substitute note may be amended, supplemented or restated from time to time.

**“Optional Tender”** means any optional tender of any Bond pursuant to Section 4.1(a) of the Indenture.

**“Pledged Bond”** means any Bond during the period from and including the date of its purchase by the Trustee on behalf of and as agent for the Borrower with the proceeds of a Liquidity

Advance, to, but excluding, the date on which the Liquidity Advance made by the Credit Provider on account of such Pledged Bond is reinstated under this Credit Enhancement Instrument.

“**Presentation Protocol**” means an agreement between Fannie Mae and the Trustee regarding one or more media through which the Trustee may present Certificates to Fannie Mae under this Credit Enhancement Instrument, as such agreement may be amended, supplemented or restated from time to time.

“**Principal Portion**” has the meaning given that term in Section 2.

“**Reimbursement Agreement**” means the Reimbursement Agreement, dated as of July 1, 2007, between Fannie Mae and the Borrower, as such agreement may be amended, supplemented or restated from time to time.

“**Remarketing Agent**” means the remarketing agent under the Indenture.

“**Reset Rate**” means the rate of interest borne by the Bonds as determined in accordance with Section 2.6 of the Indenture.

“**Tender Agent**” means the tender agent under the Indenture.

“**Trustee**” means Wells Fargo Bank, National Association, a national banking association, not in its individual or corporate capacity, but solely as trustee under the Indenture, or any permitted successor trustee under the Indenture.

“**Weekly Variable Rate**” means the variable rate of interest per annum for the Bonds determined from time to time during the Weekly Variable Rate Period (as that term is defined in the Indenture) in accordance with the Indenture.

2. **Amount Available.** Subject to the terms and conditions of this Credit Enhancement Instrument, Fannie Mae irrevocably authorizes the Trustee to draw on Fannie Mae, from time to time, a maximum aggregate amount not exceeding \$14,170,494 (as such amount may be reduced or reinstated from time to time in accordance with Section 10, “**Amount Available**”), of which:

(a) up to \$14,000,000 (“**Principal Portion**”) may be drawn with respect to the unpaid principal of the Bonds or, as the case may be, the principal portion of the purchase price of the Bonds;

(b) up to \$156,494 (“**Interest Portion**”), or 34 days interest on the Bonds (calculated at an assumed rate on the Bonds of 12% per annum on the basis of a year of 365 days), may be drawn with respect to interest actually accrued on the Bonds or, as the case may be, the interest portion of the purchase price of the Bonds; and

(c) up to \$14,000 (“**Issuer’s Fee Portion**”) may be drawn with respect to the Issuer’s Fee.

3. **Advances.** Each demand for an Advance shall be made by the Trustee’s presentation to Fannie Mae of a Certificate as follows:

(a) **Credit Enhancement Advances.** Credit Enhancement Advances shall be in the form of:

(1) Debt Service Advance. Exhibit A to pay (i) principal of any Bond (other than Excluded Bonds) due as a result of acceleration, defeasance, redemption, special purchase in lieu of redemption, stated maturity and/or (ii) interest on any Bond (other than Excluded Bonds) on or prior to their stated maturity date (“**Debt Service Advance**”); or

(2) Mandatory Tender Advance. Exhibit B to pay principal of, plus accrued interest on, any Bond (other than Excluded Bonds) due as a result of a Mandatory Tender (“**Mandatory Tender Advance**”); and

(3) Issuer’s Fee Advance. Exhibit C to pay the Issuer’s Fee if not paid when due (“**Issuer’s Fee Advance**”); or

(b) **Liquidity Advances.** Liquidity Advances shall be in the form of Exhibit D to pay principal of, plus accrued interest on, any Bond subject to an Optional Tender (“**Liquidity Advance**”).

Any Certificate submitted to Fannie Mae by the Trustee shall have all blanks appropriately completed, applicable boxes checked and shall be signed by one who states therein that he or she is an authorized signatory of the Trustee. Fannie Mae’s obligation to honor any demand for an Issuer’s Fee Advance is a standby obligation, payable if the Issuer’s Fee is not otherwise paid, and Fannie Mae’s obligation to honor any demand for all other Advances is a direct pay obligation, without regard to whether the Borrower has made any such payment.

Neither demands for, nor Advances, may be made under this Credit Enhancement Instrument to pay (i) principal of, interest on or the purchase price of, any Excluded Bond, (ii) premium that may be payable upon the redemption of any of the Bonds or (iii) interest that may accrue on any of the Bonds on or after the maturity of such Bond.

Fannie Mae may amend the form of any Certificate or delete any of the information, statements and certifications set out in the form of any Certificate to accommodate the sending of such Certificate by a medium pursuant to a Presentation Protocol. No such amendment may (i) require any additional information, statement or certification than that required by such form of certificate attached to this Credit Enhancement Instrument on the date of issuance, (ii) modify the timing for the presentation of such Certificate, and the payment thereof or (iii) require personal delivery with respect to the presentation of any Certificate with respect to which payment is to be made on the same Business Day.

**4. Presentation of Certificates.** Each Certificate must be given to Fannie Mae by:

(a) personal delivery at 3900 Wisconsin Avenue, Washington, D.C. 20016, Attention: Director, Multifamily Operations - Direct Pay Bonds; or

(b) telecopy to phone number (301) 280-2042, immediately followed by telephonic notice to the Director, Multifamily Operations - Direct Pay Bonds at telephone number (301) 204-8422; or

(c) such other medium as Fannie Mae and the Trustee may agree in a Presentation Protocol from time to time.

A Presentation Protocol may provide that the Trustee may not submit a Certificate by telecopy after a stated date or may only submit Certificates by telecopy after a certain date with the prior written permission of Fannie Mae, in which case subsection (b) shall be automatically deemed amended to that effect.

Fannie Mae will notify the Trustee in writing of any change in address or telecopy number to which all Certificates must be delivered or of any change relating to the person to be called for telephonic notices confirming telecopy communications. Any such written notice shall be effective upon receipt by the Trustee.

5. **Fannie Mae's Engagement.** Upon due receipt by Fannie Mae of a Certificate conforming to the terms and conditions of this Credit Enhancement Instrument, Fannie Mae will honor payment of the amount specified in such Certificate if presented as specified below:

(a) If a presentation in respect of a Debt Service Advance is made on or before the earlier of the Credit Enhancement Expiration Date or the Credit Enhancement Termination Date:

(1) at or prior to 12:00 noon Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 1:00 p.m. Eastern time on the next following Business Day.

(2) after 12:00 noon Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 1:00 p.m. Eastern time on the second following Business Day.

(b) If a presentation in respect of a Mandatory Tender Advance is made on or before the earlier of the Credit Enhancement Expiration Date or the Credit Enhancement Termination Date; and

(1) the Advance relates to a Mandatory Tender pursuant to Section 4.2(b) of the Indenture:

(w) at or prior to 12:00 noon Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 1:00 p.m. Eastern time **on the next following Business Day.**

(x) after 12:00 noon Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 1:00 p.m. Eastern time on the second following Business Day.

(2) the Advance relates to a Mandatory Tender pursuant to Section 4.2(a) of the Indenture:

(y) at or prior to 10:30 a.m. Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 1:30 p.m. Eastern time **on the same Business Day.**

(z) after 10:30 a.m. Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 1:30 p.m. Eastern time on the next following Business Day.

(c) If a presentation in respect of a Liquidity Advance is made on or before the earlier of the Liquidity Expiration Date or the Liquidity Termination Date:

(1) at or prior to 10:30 a.m. Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 1:30 p.m. Eastern time on the same Business Day.

(2) after 10:30 a.m. Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 1:30 p.m. Eastern time on the next following Business Day.

(d) If a presentation in respect of an Issuer's Fee Advance is made on or before the earlier of the Credit Enhancement Expiration Date or the Credit Enhancement Termination Date:

(1) at or prior to 5:00 p.m. Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 1:00 p.m. Eastern time on the fifth Business Day following such presentation.

(2) after 5:00 p.m. Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 1:00 p.m. Eastern time on the sixth Business Day following such presentation.

All Advances made under this Credit Enhancement Instrument will be made with Fannie Mae's own funds in immediately available funds.

**6. Nonconforming Tender.** If a demand for payment under this Credit Enhancement Instrument made by the Trustee does not conform to the terms and conditions of this Credit Enhancement Instrument, Fannie Mae will notify the Trustee of such lack of conformity within a reasonable time after delivery of such demand for payment, such notice to be promptly confirmed in writing to the Trustee, and Fannie Mae shall hold all documents at the Trustee's disposal or, at the Trustee's option, return the same to the Trustee.

**7. Expiration and Termination: Credit Enhancement Advances.**

(a) **Credit Enhancement Expiration.** Subject to subparagraph (c), the obligation of Fannie Mae to make Credit Enhancement Advances under this Credit Enhancement Instrument



shall expire at 4:00 p.m. Eastern time on January 21, 2041 (“**Credit Enhancement Expiration Date**”).

(b) **Termination Before Credit Enhancement Expiration Date.** Subject to subparagraph (c), the obligation of Fannie Mae to make Credit Enhancement Advances under this Credit Enhancement Instrument shall automatically terminate prior to the Credit Enhancement Expiration Date on the first to occur of: (i) the honoring by Fannie Mae of an Advance which automatically and permanently reduces the Principal Portion to zero, (ii) 4:00 p.m. Eastern time on the day following the last day of any period during which the Bonds bear interest at a Reset Rate unless Fannie Mae has notified the Trustee prior to such date that it elects to waive such termination, and (iii) Fannie Mae’s receipt of a Certificate in the form of Exhibit E (which shall be conclusive evidence of the matters set forth therein). The date determined in the preceding sentence is the “**Credit Enhancement Termination Date**.”

(c) **Business Day Convention.** In the event that any date on which the Credit Enhancement Expiration Date or the Credit Enhancement Termination Date would otherwise occur is not a Business Day, such date shall be 4:00 p.m. Eastern time on the next following Business Day.

#### **8. Expiration and Termination: Liquidity Advances.**

(a) **Liquidity Expiration.** Subject to subparagraph (e), the obligation of Fannie Mae to make Liquidity Advances under this Credit Enhancement Instrument shall expire on the first to occur of (i) 4:00 p.m. Eastern time on July 18, 2025 or such later date as is deemed to be the Liquidity Expiration Date pursuant to subsection (b) and (ii) the Credit Enhancement Expiration Date (“**Liquidity Expiration Date**”).

(b) **Automatic Extensions of Liquidity Expiration Date.** Subject to subsection (c), the Liquidity Expiration Date automatically will be deemed extended by one additional calendar year on each July 18 (beginning with July 18, 2008). Any automatic extension which would extend the Liquidity Expiration Date beyond the Maturity Date will only extend the Liquidity Expiration Date to (and including) the Maturity Date.

(c) **No Further Automatic Extensions of Liquidity Expiration Date.** Subsection (b) shall cease to be effective from and after the first to occur of:

- (1) the Liquidity Termination Date;
- (2) the Credit Enhancement Expiration Date;
- (3) the Maturity Date; and

(4) the sending of written notice to the Trustee by Fannie Mae to the effect that subsection (b) shall cease to be effective from and after the sending of such notice in which case the then outstanding Liquidity Expiration Date shall remain unchanged and no further extension of the Liquidity Expiration Date will occur under subsection (b).

(d) **Liquidity Termination Before Liquidity Expiration Date.** Subject to subparagraph (e), the obligation of Fannie Mae to make Liquidity Advances under this Credit Enhancement Instrument shall automatically terminate prior to the Liquidity Expiration Date on the first to occur of: (i) the honoring by Fannie Mae of an Advance which automatically and permanently reduces the Principal Portion to zero, (ii) 4:00 p.m. Eastern time on the second day following the last day of any period during which the Bonds bear interest at a Weekly Variable Rate, (iii) Fannie Mae's receipt of a Certificate in the form of Exhibit E (which shall be conclusive evidence of the matters set forth therein) and (iv) the Credit Enhancement Termination Date. The date determined in the preceding sentence is the "**Liquidity Termination Date.**"

(e) **Business Day Convention.** In the event that any date on which the Liquidity Expiration Date or the Liquidity Termination Date would otherwise occur is not a Business Day, such date shall be 4:00 p.m. Eastern time on the next following Business Day.

**9. Expiration and Termination: Credit Enhancement Instrument.**

(a) **Expiration.** This Credit Enhancement Instrument shall expire upon the later of the Credit Enhancement Expiration Date and the Liquidity Expiration Date ("**CEI Expiration Date**").

(b) **Termination Before CEI Expiration Date.** This Credit Enhancement Instrument shall automatically terminate prior to the CEI Expiration Date on the later to occur of the Credit Enhancement Termination Date and the Liquidity Termination Date ("**CEI Termination Date**").

(c) **Delivery.** Upon the CEI Expiration Date or the CEI Termination Date, whichever first occurs, the Trustee shall deliver this Credit Enhancement Instrument to Fannie Mae for cancellation.

**10. Reduction and Reinstatement of Amount Available.** The Amount Available shall be reduced or reinstated from time to time in accordance with this Section.

(a) **Automatic Reduction on Making any Advance.** The Amount Available shall be reduced automatically by the amount of each Advance paid by Fannie Mae, notwithstanding any act or omission, whether authorized or unauthorized, of the Trustee or any officer, director, employee or agent of the Trustee in connection with any Advance or the proceeds of such Advance or otherwise in connection with this Credit Enhancement Instrument. Each reduction shall be permanent or subject to reinstatement as provided in this Section. Such reduction shall be applied to the Principal Portion, Interest Portion and Issuer's Fee Portion, as appropriate for the Advance to which the reduction relates.

(b) **Permanent Reduction for Principal Component of Debt Service Advance.** The Principal Portion, Interest Portion and Issuer's Fee Portion shall be reduced automatically and permanently upon the making of any Debt Service Advance as follows:

(1) the Principal Portion will be reduced by the amount of the principal component of the Debt Service Advance; and

(2) the Interest Portion will be reduced by an amount equal to 34 days of interest (calculated at the rate of 12% per annum on the basis of a year of 365 days) on the amount of the related permanent reduction of the Principal Portion; and

(3) the Issuer's Fee Portion will be reduced in an amount equal to 0.10% multiplied by the amount of the related permanent reduction of the Principal Portion.

(c) **Permanent Reduction on Notice from the Trustee.** The Amount Available shall be reduced automatically by the amounts specified in any Certificate in the form of Exhibit F which is delivered to Fannie Mae. Such reduction shall be applied to the Principal Portion, Interest Portion and Issuer's Fee Portion as set out in the Certificate.

(d) **Reinstatement of Interest Portion for Debt Service Advance.** Except for a permanent reduction of the Interest Portion under subsection (b)(2), the amount of the Interest Portion reduced by the interest component of a Debt Service Advance shall be reinstated immediately and automatically.

(e) **Reinstatement of Liquidity Advance and Mandatory Tender Advance.** The Principal Portion and the Interest Portion shall be reinstated after each Liquidity Advance and each Mandatory Tender Advance upon receipt by Fannie Mae of money equal to the amount by which the Trustee requests Fannie Mae to increase the Principal Portion and the Interest Portion in a Certificate of Reinstatement in the form of Exhibit G.

(f) **Reinstatement of Issuer's Fee Advance.** Except for a permanent reduction of the Issuer's Fee Portion under subsection (b)(3), the amount of the Issuer's Fee Portion reduced by an Issuer's Fee Advance shall be reinstated immediately and automatically.

Upon any permanent reduction of the Amount Available, Fannie Mae may deliver to the Trustee a substitute Credit Enhancement Instrument in exchange for this Credit Enhancement Instrument, in an amount available equal to the then current Amount Available, but otherwise having terms identical to this Credit Enhancement Instrument.

**11. Discharge of Obligations.** Only the Trustee may demand an Advance under this Credit Enhancement Instrument. Upon payment to the Trustee of the amount specified in any Certificate presented under this Credit Enhancement Instrument, Fannie Mae shall be fully discharged of its obligation under this Credit Enhancement Instrument with respect to such Certificate and Fannie Mae shall not thereafter be obligated to make any further payment to the Trustee or any other person (including the Issuer, with respect to payment of the Issuer's Fee) in respect of such Certificate for payment of principal of, purchase price of, or interest on any Bond, or payment of the Issuer's Fee.

**12. Nature of Fannie Mae's Obligations.** Fannie Mae's obligation to make Advances to the Trustee upon the proper presentation of documents which conform to the terms and conditions of this Credit Enhancement Instrument is absolute, unconditional and irrevocable, shall be fulfilled strictly in accordance with this Credit Enhancement Instrument, and shall not be affected by any right of set-off, recoupment or counterclaim Fannie Mae might otherwise have against the Issuer, the Trustee, the Tender Agent, the Remarketing Agent, the Borrower, the Loan Servicer or any other person.

Fannie Mae's obligations under this Credit Enhancement Instrument are primary obligations and shall not be affected by the performance or non-performance by the Issuer under the Indenture or the Bonds or by the Borrower under the Note or the Reimbursement Agreement or by the performance or non-performance of any party under any other agreement between or among any of the Issuer, the Trustee, the Borrower or Fannie Mae.

**13. Transfer.** This Credit Enhancement Instrument may be successively transferred in whole only to each successor Trustee under the Indenture. Any such transfer shall be effective upon receipt by Fannie Mae of a signed copy of the instrument effecting such transfer signed by the transferor and by the transferee in the form attached as Exhibit H (which shall be conclusive evidence of such transfer). In each such case, the transferee instead of the transferor shall, without the necessity of further action, be entitled to all the benefits of and rights under this Credit Enhancement Instrument in the transferor's place.

**14. Notices and Deliveries.** All documents, notices and other communications, other than Certificates, shall be in writing and personally delivered to Fannie Mae at the address (and to the attention of the party) set out in Section 4(a) or may be sent to Fannie Mae by telecopy immediately followed by telephonic notice as set out in Section 4(b), as such address, telephone and telecopy numbers and parties to whom such notices are sent are changed by Fannie Mae pursuant to Section 4.

**15. Governing Law.** This Credit Enhancement Instrument shall be governed by the laws of the District of Columbia, including the Uniform Commercial Code as in effect in the District of Columbia.

Remainder of page is intentionally blank.

16. **Entire Credit Enhancement Instrument.** This Credit Enhancement Instrument sets forth in full the terms of Fannie Mae's undertaking and shall not in any way be amended, amplified or limited by reference to any document, instrument or agreement referred to in this Credit Enhancement Instrument (including, without limitation, the Bonds) or in which this Credit Enhancement Instrument is referred to or to which this Credit Enhancement Instrument relates, except for (i) the Exhibits referred to in this Credit Enhancement Instrument and (ii) any Presentation Protocol, all of which shall be deemed fully incorporated into this Credit Enhancement Instrument as if fully set forth herein.

FANNIE MAE

By: \_\_\_\_\_

Name: Peter J. Cocarro III

Title: Assistant Vice President

Exhibit A

**CERTIFICATE FOR "DEBT SERVICE ADVANCE"**

**DIRECT PAY**

Fannie Mae  
3900 Wisconsin Avenue, N.W.  
Washington, D.C. 20016

Attention: Director, Multifamily Operations - Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. \_\_\_\_\_ ("**Credit Enhancement Instrument**")  
Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Windshire Apartments) Series 2007

The undersigned, a duly authorized signatory of the Trustee named below ("**Trustee**"), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, that:

(1) **Demand for Advance.** The Trustee demands an Advance in the amount of \$\_\_\_\_\_. This demand is composed of:

(Trustee: check applicable box or boxes)

- Interest:** \$\_\_\_\_\_ under the Interest Portion of the Amount Available to be used to pay interest on the Bonds (other than Excluded Bonds) on or prior to their stated maturity date.
- Principal:** \$\_\_\_\_\_ under the Principal Portion of the Amount Available to be used to pay principal of the Bonds due as a result of the acceleration, defeasance, redemption, or stated maturity of the Bonds.

(2) **When the Advance Must be Made.** If this demand for Advance is made:

(a) at or prior to 12:00 noon Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the next following Business Day.

(b) after 12:00 noon Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the second following Business Day.

(3) **Where the Advance Must be Made.** Please pay the Advance demanded by this Certificate to the Trustee at \_\_\_\_\_ [specify account].

(4) **Other Matters.**

(a) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(b) Upon receipt by the Trustee of the Advance, (i) the Trustee will apply the same directly for the purpose specified in Paragraph I, and (ii) no portion of said amount shall be applied by the Trustee for any purpose other than as set forth in Paragraph 1.

(c) The proceeds of the Advance demanded by this Certificate will not be applied to defease, redeem or pay (whether at stated maturity or by acceleration) any Excluded Bond.

(d) The aggregate principal amount of all Excluded Bonds outstanding is \$\_\_\_\_\_.

(e) The amount of interest (computed at the Maximum Interest Rate (as that term is defined in the Indenture), which currently is \_\_\_\_\_\* percent per annum) on the basis of the actual number of days elapsed over a year of 365 or 366 days, as applicable), accruing on the Bonds referred to in subparagraph 4(d) above in any period of \_\_\_\_\*\* days is \$\_\_\_\_\_.

(5) **Amount Available.** (Trustee: Complete this Paragraph 5 only if this Certificate requests an Advance under the Principal Portion of the Amount Available.) Upon the payment of the Advance:

(a) The Amount Available shall be reduced automatically and permanently by \$[insert amount of reduction] of which:

(i) \$\_\_\_\_\_ is attributable to the Principal Portion; [and]

(ii) \$\_\_\_\_\_ is attributable to the Interest Portion[.]; and]

[(iii) \$\_\_\_\_\_ is attributable to the Issuer's Fee Portion (computed at a rate of 0.\_\_\_\_% multiplied by the [original] [outstanding] principal amount of the Bonds).]

(b) **New Amount Available.** The Amount Available will be \$\_\_\_\_\_, of which:

(i) \$\_\_\_\_\_ will be the Principal Portion; and

(ii) \$\_\_\_\_\_ will be the Interest Portion; and

(iii) \$\_\_\_\_\_ will be the Issuer's Fee Portion (computed at a rate of 0.\_\_\_\_% multiplied by the [original] [outstanding] principal amount of the Bonds).

(c) The principal of the Bonds (other than Excluded Bonds) that is due on [Trustee: complete this blank using the first Business Day after the date of this Certificate] is

\* Trustee: Fill in current Maximum Interest Rate.

\*\* Trustee: Fill in number of days of interest coverage required to be supplied by the Interest Portion.

\$ \_\_\_\_\_. The amount of the Advance demanded in Paragraph 1 does not exceed such amount of principal.

(d) The amount of the Advance (1) does not exceed the Principal Portion of the Amount Available on the date of this Certificate and (2) was computed in accordance with the Bonds and the Indenture.

(e) Upon the payment referred to in Paragraph (1), the aggregate principal amount of all Bonds outstanding will be \$\_\_\_\_\_.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

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

\_\_\_\_\_  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory



**Exhibit B**

**CERTIFICATE FOR "MANDATORY TENDER ADVANCE"**

**DIRECT PAY**

Fannie Mae  
3900 Wisconsin Avenue, N.W.  
Washington, D.C. 20016

Attention: Director, Multifamily Operations - Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. \_\_\_\_\_ (**"Credit Enhancement Instrument"**)  
Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Windshire Apartments) Series 2007

The undersigned, a duly authorized signatory of the Trustee named below ("**Trustee**"), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, that:

(1) **Demand for Advance**. The Trustee demands an Advance in the amount of \$\_\_\_\_\_. This demand is composed of:

(a) **Interest:** \$\_\_\_\_\_ under the Interest Portion of the Amount Available to be used to pay interest on the Bonds (other than Excluded Bonds) on or prior to their stated maturity date.

(b) **Principal:** \$\_\_\_\_\_ under the Principal Portion of the Amount Available to be used to pay principal of the Bonds due as a result of a Mandatory Tender.

(2) **When the Advance Must be Made**. (Trustee: check applicable box)

The Advance relates to a Mandatory Tender pursuant to Section 4.2(b) of the Indenture. Accordingly, if this demand for Advance is made:

(w) at or prior to 12:00 noon Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time **on the next following Business Day**.

(x) after 12:00 noon Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the second following Business Day.

The Advance relates to a Mandatory Tender pursuant to Section 4.2(a) of the Indenture. Accordingly, if this demand for Advance is made:

(y) at or prior to 10:30 a.m. Eastern time on a Business Day, you must pay the Advance no later than 1:30 p.m. Eastern time **on the same Business Day.**

(z) after 10:30 a.m. Eastern time on a Business Day, you must pay the Advance no later than 1:30 p.m. Eastern time on the next following Business Day.

(3) **Where the Advance Must be Made.** Please pay the Advance demanded by this Certificate to the Trustee at \_\_\_\_\_ [**specify account and wiring instructions**].

(4) **Other Matters.**

(a) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(b) Upon receipt by the Trustee of the Advance, (i) the Trustee will apply the same directly for the purpose specified in Paragraph 1, and (ii) no portion of said amount shall be applied by the Trustee for any purpose other than as set forth in Paragraph 1.

(c) The proceeds of the Advance demanded by this Certificate will not be applied to any payment on any Excluded Bonds.

(d) The aggregate principal amount of all Excluded Bonds outstanding is \$\_\_\_\_\_.

(e) The amount of interest (computed at the Maximum Interest Rate (as that term is defined in the Indenture), which currently is \_\_\_\_\_\* percent per annum) on the basis of the actual number of days elapsed over a year of 365 or 366 days, as applicable), accruing on the Bonds referred to in subparagraph 4(d) above in any period of \_\_\_\_\_\*\* days is \$\_\_\_\_\_.

(5) **Amount Available.** Upon the payment of the Advance:

(a) The Amount Available shall be reduced automatically and permanently by \$[insert amount of reduction] of which:

(i) \$\_\_\_\_\_ is attributable to the Principal Portion; [and]

(i) \$\_\_\_\_\_ is attributable to the Interest Portion[.]; and]

[(iii) \$\_\_\_\_\_ is attributable to the Issuer's Fee Portion (computed at a rate of 0.\_\_\_\_\_% multiplied by the [original] [outstanding] principal amount of the Bonds).]

(b) **New Amount Available.** The Amount Available will be \$\_\_\_\_\_, of which:

\* Trustee: Fill in current Maximum Interest Rate.

\*\* Trustee: Fill in number of days of interest coverage required to be supplied by the Interest Portion.

- (i) \$ \_\_\_\_\_ will be the Principal Portion;
- (ii) \$ \_\_\_\_\_ will be the Interest Portion; and
- (iii) \$ \_\_\_\_\_ will be the Issuer's Fee Portion (computed at a rate of 0. \_\_\_\_\_% multiplied by the [original] [outstanding] principal amount of the Bonds).

(c) The principal of the Bonds (other than Excluded Bonds) that is due on [Trustee: **complete this blank using the first Business Day after the date of this Certificate**] is \$ \_\_\_\_\_. The amount of the Advance demanded in Paragraph 1 does not exceed such amount of principal.

(d) The amount of the Advance (1) does not exceed the Principal Portion of the Amount Available on the date of this Certificate and (2) was computed in accordance with the Bonds and the Indenture.

(e) Upon the payment referred to in Paragraph (c), the aggregate principal amount of all Bonds outstanding will be \$ \_\_\_\_\_.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

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

\_\_\_\_\_ as Trustee

By: \_\_\_\_\_  
Authorized Signatory

Exhibit C

CERTIFICATE FOR "ISSUER'S FEE ADVANCE"

STAND-BY

Fannie Mae  
3900 Wisconsin Avenue, N.W.  
Washington, D.C. 20016

Attention: Director, Multifamily Operations - Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. \_\_\_\_\_ ("**Credit Enhancement Instrument**")  
Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Windshire Apartments) Series 2007

The undersigned, a duly authorized signatory of the Trustee named below ("**Trustee**"), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, that:

(1) **Demand for Advance.** The Trustee demands an Advance in the amount of \$\_\_\_\_\_ under the Issuer's Fee Portion of the Amount Available to be used to pay the Issuer's Fee.

(2) **When the Advance Must be Made.** If this demand for Advance is made:

(a) at or prior to 5:00 p.m. Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the fifth Business Day following such presentation.

(b) after 5:00 p.m. Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the sixth Business Day following such presentation.

(3) **Where the Advance Must be Made.** Please pay the Advance demanded by this Certificate to the Trustee at \_\_\_\_\_ [**specify account and wiring instructions**].

(4) **Other Matters.**

(a) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(b) The Borrower has failed to pay the Issuer's Fee by [**date of annual, quarterly or monthly payment**].

(c) The amount of the Advance demanded (i) does not exceed the Issuer's Fee Portion of the Amount Available and (ii) was computed in accordance with the terms and

conditions of the Financing Agreement dated \_\_\_\_\_, \_\_\_\_\_ among the Issuer, the Trustee and the Borrower.

(d) Upon receipt by the Trustee of the Advance (i) the Trustee will apply the same directly for the purpose specified in Paragraph 1 and (ii) no portion of said amount shall be applied by the Trustee for any purpose other than as set forth in Paragraph 1.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

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

\_\_\_\_\_  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory

**Exhibit D**

**CERTIFICATE FOR "LIQUIDITY ADVANCE"**

**DIRECT PAY**

Fannie Mae  
3900 Wisconsin Avenue, N.W.  
Washington, D.C. 20016

Attention: Director, Multifamily Operations - Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. \_\_\_\_\_ ("**Credit Enhancement Instrument**")  
Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Windshire Apartments) Series 2007

The undersigned, a duly authorized signatory of the Trustee named below ("**Trustee**"), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, that:

(1) **Demand for Advance.** The Trustee demands an Advance in the amount of \$ \_\_\_\_\_, consisting of:

(a) \$ \_\_\_\_\_ under the Principal Portion of the Amount Available to be used to pay the principal portion of the purchase price of Bonds; and

(b) \$ \_\_\_\_\_ under the Interest Portion of the Amount Available to be used to pay the interest portion of the purchase price of Bonds purchased pursuant to Section 4.1(a) of the Indenture ("**Tendered Bonds**").

(2) **When the Advance Must be Made.** If this demand is made:

(a) at or prior to 10:30 a.m. Eastern time on a Business Day, you must pay the Advance no later than 1:30 p.m. Eastern time on the same Business Day.

(b) after 10:30 a.m. Eastern time on a Business Day, you must pay the Advance no later than 1:30 p.m. Eastern time on the next following Business Day.

(3) **Where the Advance Must be Made.** Please pay the Advance demanded by this Certificate to the Trustee at \_\_\_\_\_ [specify account and wiring instructions].

(4) **Other Matters.**

(a) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(b) The amount demanded pursuant to Paragraph 1 does not exceed the amount necessary, at the time of the presentation of this Certificate to Fannie Mae, to pay the purchase price of the Tendered Bonds which the Remarketing Agent has not remarketed or for which the Remarketing Agent has not received sufficient remarketing proceeds to pay the purchase price of the Tendered Bonds.

(c) The principal component of the aggregate purchase price of the Tendered Bonds that is due on the date of this Certificate is \$ \_\_\_\_\_, and the amount of the Advance relating to the Principal Portion referred to in Paragraph 1 does not exceed such amount of principal. The aggregate accrued interest component of the purchase price of the Tendered Bonds that is due on the date of this Certificate is \$ \_\_\_\_\_ and the amount of the Advance relating to the Interest Portion referred to in Paragraph 1 does not exceed such amount.

(d) On the date of this Certificate, (i) the principal portion of the Advance does not exceed the Principal Portion of the Amount Available and (ii) the interest portion of the Advance does not exceed the Interest Portion of the Amount Available. The amount of the Advance was computed in accordance with the Bonds and the Indenture.

(e) Upon receipt by the Trustee of the Advance demanded by this Certificate, (i) the Trustee will apply the same directly for the purpose specified in Paragraph 1 and (ii) no portion of said amount shall be applied by the Trustee for any purpose other than as set forth in Paragraph 1

(f) The proceeds of the Advance demanded by this Certificate will not be applied to defease, redeem or pay (whether at stated maturity or by acceleration) any Excluded Bond.

(g) Bonds in a principal amount equal to the Principal Portion of the Advance made under this Certificate will be delivered to **[Custodian]**\* or if, and only if, delivery of the Bonds is not possible, a written entitlement order will be delivered to the applicable financial intermediaries on whose records ownership of the Pledged Bonds is reflected directing the intermediaries to credit the security entitlement to the Pledged Bonds to the account of **[Custodian]**\* for the benefit of Fannie Mae and a written confirmation of such credit will be delivered to the **[Custodian]**\*.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

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

\_\_\_\_\_  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory

\* Fill in name of Custodian under the Pledge Agreement.

**Exhibit E**

**CERTIFICATE OF TERMINATION**

Fannie Mae  
3900 Wisconsin Avenue, N.W.  
Washington, D.C. 20016  
Attention: Director, Multifamily Operations - Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. \_\_\_\_\_ (**Credit Enhancement Instrument**)  
Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Windshire Apartments) Series 2007

The undersigned, a duly authorized signatory of the undersigned Trustee ("**Trustee**"), certifies to Fannie Mae, with respect to the Credit Enhancement Instrument, that the Trustee is authorized to file this notice pursuant to the Indenture. Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

The undersigned certifies to Fannie Mae: (Trustee: Check applicable box)

(a) None of the Bonds are Outstanding under the Indenture.

(b) The Trustee has received an Alternate Credit Facility (as such term is defined in the Indenture) as permitted by the Indenture and the Reimbursement Agreement.

Pursuant to the Indenture we enclose the Credit Enhancement Instrument for cancellation.

Very truly yours,

\_\_\_\_\_  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory

Dated: \_\_\_\_\_

By its execution hereof, [**Name of Borrower**] ("**Borrower**") hereby certifies to Fannie Mae that all conditions precedent to the cancellation of the Credit Enhancement Instrument and substitution of an Alternate Credit Facility set forth in the Indenture and the Reimbursement Agreement have been satisfied and hereby joins in the Trustee's instructions to Fannie Mae to cancel the same.

[NAME OF BORROWER]

By: \_\_\_\_\_  
Authorized Signatory]



**Exhibit F**

**CERTIFICATE OF REDUCTION**

Fannie Mae  
3900 Wisconsin Avenue, N.W.  
Washington, D.C. 20016

Attention: Director, Multifamily Operations - Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. \_\_\_\_\_ (“**Credit Enhancement Instrument**”)  
Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Windshire Apartments) Series 2007

The undersigned, a duly authorized signatory of the Trustee named below (“**Trustee**”), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, as follows:

- (1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.
- (2) The aggregate principal amount of Bonds outstanding has been reduced to \$\_\_\_\_\_.
- (3) Effective on [insert date]:
  - (a) the Amount Available shall be reduced by \$\_\_\_\_\_, of which (i) \$\_\_\_\_\_ is a reduction of the Principal Portion[.][ and](ii) \$\_\_\_\_\_ is a reduction of the Interest Portion[.][ and (iii) \$\_\_\_\_\_ is a reduction of the Issuer’s Fee Portion];
  - (b) after such reduction, the Amount Available will be \$\_\_\_\_\_, of which (i) \$\_\_\_\_\_ will be the Principal Portion, (ii) \$\_\_\_\_\_ will be the Interest Portion and (iii) \$\_\_\_\_\_ will be the Issuer’s Fee Portion; and
  - (c) after such reduction, the Amount Available will be not less than the aggregate unpaid principal amount of the Bonds Outstanding (as that term is defined in the Indenture).

By its execution hereof, [**Name of Borrower**] (“**Borrower**”) certifies to Fannie Mae that the Trustee is authorized to deliver this Certificate to Fannie Mae. The Borrower and the Trustee further certify that the amounts specified in Paragraph 3 have been determined in accordance with the terms and conditions of the Indenture and the Reimbursement Agreement.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

IN WITNESS WHEREOF, the Trustee and the Borrower have executed and delivered this Certificate as of the \_\_\_ day of \_\_\_\_\_, \_\_\_\_.

\_\_\_\_\_,  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory

[NAME OF BORROWER]

By: \_\_\_\_\_  
Authorized Signatory

Exhibit G

CERTIFICATE OF REINSTATEMENT

Fannie Mae  
3900 Wisconsin Avenue, N.W.  
Washington, D.C. 20016  
Attention: Director, Multifamily Operations - Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. \_\_\_\_\_ (“**Credit Enhancement Instrument**”)  
Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Windshire Apartments) Series 2007

The undersigned, a duly authorized signatory of the Trustee named below (“**Trustee**”), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, as follows:

- (1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.
- (2) The Trustee has received notification from the Tender Agent that Bonds pledged to Fannie Mae by the Borrower which were acquired with the proceeds of a Mandatory Tender Advance or a Liquidity Advance under the Credit Enhancement Instrument are to be remarketed or sold. The Trustee has received and is transferring to Fannie Mae the amount set forth in Paragraph 3.
- (3) Upon receipt by Fannie Mae of this certificate and \$ \_\_\_\_\_, the Amount Available will be increased as follows:
  - (a) the Principal Portion of the Amount Available will be increased by \$ \_\_\_\_\_, but such increase shall not cause the Principal Portion to exceed the original Principal Portion less the sum of (i) the principal component of all Debt Service Advances paid by Fannie Mae in accordance with the Credit Enhancement Instrument and (ii) the aggregate of all reductions of the Principal Portion pursuant to any Certificate of the Trustee in the form of Exhibit F; and
  - (b) the Interest Portion of the Amount Available will be increased by \$ \_\_\_\_\_, but such increase shall not cause the Interest Portion to exceed the original Interest Portion less the aggregate of (i) the interest component of all Debt Service Advances which have not been reinstated in accordance with the Credit Enhancement Instrument, subject to the reinstatement of such amounts as set forth in the Credit Enhancement Instrument, (ii) all reductions of the Interest Portion due to any permanent reduction of the Principal Portion of the Amount Available and (iii) to the extent not addressed in (ii), all reductions of the Interest Portion pursuant to any Certificate of the Trustee in the form of Exhibit F.

(4) Fannie Mae shall promptly release or direct Fannie Mae's custodian in writing to release the Pledged Bonds to the Tender Agent in a principal amount corresponding to the Principal Portion identified in Paragraph 3 or, if such release is not possible, Fannie Mae shall be deemed to consent to the delivery of a written entitlement order to the applicable financial intermediary on whose records ownership of such Pledged Bonds is reflected to credit the ownership entitlement to such Bonds to the account as directed by the Trustee. Such release or deemed consent shall be conclusive evidence of the reinstatement of the Principal Portion and Interest Portion as described in Paragraph 3.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

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

\_\_\_\_\_  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory

**Exhibit H**

**CERTIFICATE FOR SUCCESSOR TRUSTEE**

Fannie Mae  
3900 Wisconsin Avenue  
Washington, D.C. 20016

Attention: Director, Multifamily Operations - Direct Pay Bonds

Re: Credit Enhancement Instrument relating to Loan No. \_\_\_\_\_ (“**Credit Enhancement Instrument**”)  
Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Windshire Apartments) Series 2007

The undersigned is a duly authorized signatory of the Trustee under the Indenture for the holders of the Bonds

The Trustee transfers all rights in the Credit Enhancement Instrument to \_\_\_\_\_, subject to the terms and conditions of the Credit Enhancement Instrument. The Trustee certifies that the transferee is the successor Trustee under the Indenture referred to in the Credit Enhancement Instrument and such successor Trustee has been approved in writing by Fannie Mae. The transferee acknowledges below that it is the successor Trustee. Such successor Trustee has entered into a written agreement to be bound by the Assignment and Intercreditor Agreement dated \_\_\_\_\_, \_\_\_\_\_ by and among Fannie Mae, the Trustee and the Issuer.

By this transfer, all rights of the undersigned Trustee in the Credit Enhancement Instrument are transferred to the transferee and the transferee shall have the sole rights as the beneficiary, including sole rights relating to any amendments, whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised direct to the transferee without necessity of any consent of or notice to the undersigned.

Dated: \_\_\_\_\_

\_\_\_\_\_  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory

The above signature of an officer or other authorized representative conforms to that on file with us. Said officer or representative is authorized to sign for said party.

\_\_\_\_\_  
By: \_\_\_\_\_  
Authorized Signatory

\_\_\_\_\_ acknowledges that it is the successor to \_\_\_\_\_ as Trustee under the Indenture.

\_\_\_\_\_  
By: \_\_\_\_\_  
Authorized Signatory

[This page intentionally left blank]