

**New Issue – Book-Entry Only**

**Rating: Moody's: "Aaa" (See "RATING" herein)**

*In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes, except during the period when the Bonds are held by a "substantial user" of the facilities financed by the Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item or included in adjusted current earnings for purposes of the federal alternative minimum tax. In addition, in the opinion of Bond Counsel, under existing statutes, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, are exempt from taxation of every kind and nature whatsoever by the State of Maryland, except that no opinion is expressed with respect to any exemption from Maryland estate or inheritance taxes. See "TAX MATTERS" herein.*

**\$6,315,000**

**COMMUNITY DEVELOPMENT ADMINISTRATION  
MARYLAND DEPARTMENT OF HOUSING AND  
COMMUNITY DEVELOPMENT  
Multifamily Development Revenue Bonds  
(Cumberland Arms Apartments)  
Series 2015 D**

**Dated: Delivery Date**

**Due: As shown on inside cover page**

The Community Development Administration (the "Administration") has agreed to issue the above-captioned bonds (the "Bonds") pursuant to a Trust Indenture, dated as of September 1, 2015 (the "Indenture"), between the Administration and Manufacturers and Traders Trust Company, as trustee (the "Trustee"). The Bonds will bear interest at the fixed rates set forth on the inside cover page hereof and as described herein. Interest on the Bonds will be payable semi-annually on March 1 and September 1 of each year (each an "Interest Payment Date"), commencing March 1, 2016. The Bonds will be fully registered bonds without coupons, in the minimum denomination of \$5,000 principal amount or any integral multiple thereof. The Bonds are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). The principal of and interest on the Bonds are payable by the Trustee by wire transfer directly to DTC, which will in turn remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS—Book-Entry Only System of Registration" and "BOOK-ENTRY ONLY SYSTEM" herein.

Simultaneously with the issuance of the Bonds, the Administration will enter into a Financing Agreement, dated as of the date of the Indenture (the "Financing Agreement"), with the Trustee and Hampstead Cumberland Arms Partners II, L.P., a limited partnership duly organized and existing under the laws of the State of Maryland (the "Borrower"), pursuant to which the Administration will make a mortgage loan (the "Bond Mortgage Loan") to the Borrower with proceeds of the Bonds for the purpose of financing the acquisition and rehabilitation of a multifamily residential rental facility located at 10 N. Liberty Street, Cumberland, Allegany County, Maryland, known as Cumberland Arms Apartments, as further described herein (the "Project").

The Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States ("Freddie Mac"), has agreed to provide credit enhancement for payments of principal and interest under the Bond Mortgage Loan in an amount equal to principal and interest due on the Bonds through the issuance of a Credit Enhancement Agreement dated as of the date of the Indenture, between the Trustee and Freddie Mac (the "Credit Enhancement Agreement"). In addition, under the circumstances provided in the Indenture for a redemption of Bonds (or a purchase in lieu of redemption) or an acceleration of the principal of and interest on Bonds, Freddie Mac may pay to the Trustee amounts sufficient to effect, and so direct, such redemption, purchase or acceleration, in accordance with the Credit Enhancement Agreement. See "THE BONDS" and "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default" and "—Acceleration; Other Remedies Upon Event of Default" herein and "APPENDIX B—FORM OF CREDIT ENHANCEMENT AGREEMENT" hereto.

**FREDDIE MAC**

The Credit Enhancement Agreement will terminate on September 6, 2032 (or earlier as provided therein). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein and "APPENDIX B—FORM OF CREDIT ENHANCEMENT AGREEMENT" hereto.

The Bonds will be subject to redemption prior to the stated maturity dates on the terms and upon the occurrence of the events described herein. Any redemption or acceleration will be without premium; therefore, persons who purchase Bonds at a price in excess of their principal amount risk the loss of any premium paid in the event the Bonds are redeemed prior to maturity or accelerated. See "THE BONDS" and "CERTAIN BONDHOLDERS' RISKS" herein.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE ADMINISTRATION, A UNIT OF THE DIVISION OF DEVELOPMENT FINANCE OF THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (THE "DEPARTMENT"), A PRINCIPAL DEPARTMENT OF THE STATE OF MARYLAND (THE "STATE"), PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED THEREFOR UNDER THE INDENTURE. THE ADMINISTRATION HAS NO TAXING POWER. THE BONDS DO NOT CONSTITUTE A DEBT OF THE STATE, ANY POLITICAL SUBDIVISION THEREOF, THE ADMINISTRATION OR THE DEPARTMENT, OR A PLEDGE OF THE FAITH, CREDIT OR TAXING POWER OF THE STATE, ANY SUCH POLITICAL SUBDIVISION, THE ADMINISTRATION OR THE DEPARTMENT.

FREDDIE MAC'S OBLIGATIONS WITH RESPECT TO THE BONDS ARE SOLELY AS PROVIDED IN THE CREDIT ENHANCEMENT AGREEMENT. THE OBLIGATIONS OF FREDDIE MAC UNDER THE CREDIT ENHANCEMENT AGREEMENT WILL BE OBLIGATIONS SOLELY OF FREDDIE MAC. FREDDIE MAC HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE BONDS, BUT WILL BE OBLIGATED, PURSUANT TO THE CREDIT ENHANCEMENT AGREEMENT, TO PROVIDE FUNDS TO THE TRUSTEE TO PAY THE PURCHASE PRICE OF THE BONDS UNDER THE CIRCUMSTANCES DESCRIBED THEREIN. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, ANY AGENCY THEREOF, OR OF FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to the approving opinion of Kutak Rock LLP, Washington, D.C., Bond Counsel to the Administration. Certain legal matters will be passed upon for the Administration by an Assistant Attorney General of the State of Maryland as Counsel to the Department, for Freddie Mac by its Deputy General Counsel and by its counsel, Katten Muchin Rosenman LLP, Washington, D.C., for the Borrower by its counsel, Nixon Peabody LLP, Washington, D.C., and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, New York, New York. It is expected that the Bonds will be available for delivery to DTC in New York, New York, on or about September 3, 2015.

**J.P. Morgan**

**BofA Merrill Lynch**

**RBC Capital Markets**

Dated: August 21, 2015

## MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

### \$6,315,000 Series 2015 D

#### \$305,000 Series 2015 D Serial Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP</u> <sup>1</sup>
March 1, 2018	\$15,000	1.20%	57419RUZ6
September 1, 2018	20,000	1.30	57419RVA0
March 1, 2019	20,000	1.45	57419RVB8
September 1, 2019	15,000	1.55	57419RVC6
March 1, 2020	20,000	1.80	57419RVD4
September 1, 2020	15,000	1.90	57419RVE2
March 1, 2021	20,000	2.15	57419RVF9
September 1, 2021	15,000	2.25	57419RVG7
March 1, 2022	20,000	2.45	57419RVH5
September 1, 2022	20,000	2.50	57419RVJ1
March 1, 2023	20,000	2.65	57419RVK8
September 1, 2023	20,000	2.70	57419RVL6
March 1, 2024	20,000	2.85	57419RVM4
September 1, 2024	20,000	2.90	57419RVN2
March 1, 2025	25,000	3.00	57419RVP7
September 1, 2025	20,000	3.00	57419RVQ5

#### \$6,010,000 Series 2015 D Term Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP</u> <sup>1</sup>
September 1, 2017	\$2,900,000	0.85%	57419RVS1
September 1, 2032	3,110,000	3.70	57419RVR3

**Price of all Bonds: 100%**

<sup>1</sup> CUSIP is a registered trademark of American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, which is managed by S&P Capital IQ, a division of McGraw Hill Financial Inc. CUSIP data herein are set forth for convenience of reference only. Neither the Administration nor the Underwriters of the Bonds assume any responsibility for the selection or use of CUSIP numbers or for the accuracy of such data. The CUSIP number for a specific maturity is subject to change after the issuance of the Bonds.

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

The information in this Official Statement has been provided by the Administration (to the limited extent noted below), the Borrower, Freddie Mac (to the limited extent noted below) and DTC and other sources that are believed to be reliable but is not to be construed as a representation of, and is not guaranteed as to accuracy or completeness by, Freddie Mac (except with respect to the description under the heading "FREDDIE MAC"), the Administration (except with respect to the description under the headings "THE ADMINISTRATION" and "ABSENCE OF LITIGATION—The Administration"), or the Underwriters. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the affairs of the Administration, the Borrower or Freddie Mac since the date hereof.

The Administration has not provided or approved any information in this Official Statement except with respect to the information under the headings "THE ADMINISTRATION" and "ABSENCE OF LITIGATION—The Administration" and takes no responsibility for any other information contained in this Official Statement.

Freddie Mac has not provided or approved any information in this Official Statement, except with respect to the description under the heading "FREDDIE MAC," and takes no responsibility for any other information contained in this Official Statement. Freddie Mac makes no representation as to the other contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility or performance of the Project, or compliance with any securities, tax or other laws or regulations. Freddie Mac's role is limited to entering into the Credit Enhancement Agreement described herein. The Servicer makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility or performance of the Project, or compliance with any securities, tax or other laws or regulations.

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES AGENCY 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

	Page
INTRODUCTION.....	1
THE ADMINISTRATION.....	5
THE BONDS.....	7
BOOK-ENTRY ONLY SYSTEM.....	14
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.....	16
SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT.....	18
FREDDIE MAC.....	21
THE PROJECT AND THE PRIVATE PARTICIPANTS.....	22
PLAN OF FINANCING.....	25
THE SERVICER.....	26
THE TRUSTEE.....	26
CERTAIN BONDHOLDERS' RISKS.....	27
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.....	29
SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT.....	52
SUMMARY OF CERTAIN PROVISIONS OF THE INTERCREDITOR AGREEMENT.....	57
SUMMARY OF CERTAIN PROVISIONS OF THE TAX REGULATORY AGREEMENT.....	58
CONTINUING DISCLOSURE.....	62
TAX MATTERS.....	62
UNDERWRITING.....	66
FINANCIAL ADVISORS.....	67
RATING.....	67
CERTAIN LEGAL MATTERS.....	67
ABSENCE OF LITIGATION.....	67
MISCELLANEOUS.....	68
APPENDIX A - DEFINITIONS OF CERTAIN TERMS	
APPENDIX B - FORM OF CREDIT ENHANCEMENT AGREEMENT	
APPENDIX C - FORM OF BOND COUNSEL OPINION	
APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT	

[THIS PAGE INTENTIONALLY LEFT BLANK]

## **OFFICIAL STATEMENT**

**\$6,315,000**

**COMMUNITY DEVELOPMENT ADMINISTRATION  
MARYLAND DEPARTMENT OF HOUSING AND  
COMMUNITY DEVELOPMENT  
Multifamily Development Revenue Bonds  
(Cumberland Arms Apartments)  
Series 2015 D**

### **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, inside 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, inside cover page and appendices hereto, must be considered in its entirety. Certain capitalized terms used in this Official Statement are defined herein and in the appendices hereto. All capitalized terms used in this Official Statement that are not otherwise defined herein have the meanings ascribed to them in the Indenture, the Financing Agreement, the Tax Regulatory Agreement, the Reimbursement Agreement, the Bond Mortgage Note and the Credit Enhancement Agreement (as each such term is hereinafter defined).

The purpose of this Official Statement is to provide information in connection with the issuance and sale by the Community Development Administration (the "Administration"), a unit of the Division of Development Finance of the Department of Housing and Community Development (the "Department"), a principal department of the State of Maryland (the "State"), of the above-captioned Multifamily Development Revenue Bonds (Cumberland Arms Apartments) Series 2015 D (the "Bonds"). The Bonds are being issued pursuant to Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the "Act") and pursuant to a Trust Indenture, dated as of September 1, 2015 (the "Indenture"), between the Administration and Manufacturers and Traders Trust Company, as trustee (the "Trustee"). Simultaneous with the issuance of the Bonds, there will be executed and delivered a Financing Agreement, dated as of the date of the Indenture (the "Financing Agreement"), by and among the Administration, Hampstead Cumberland Arms Partners II, L.P., a limited partnership duly organized and existing under the laws of the State of Maryland (the "Borrower"), and the Trustee, pursuant to which the Administration will make a mortgage loan (the "Bond Mortgage Loan") to the Borrower with proceeds of the Bonds for the purpose of financing the acquisition and rehabilitation of a multifamily rental housing development located at 10 N. Liberty Street, Cumberland, Allegany County, Maryland known as Cumberland Arms Apartments (the "Project"). See "THE PROJECT AND THE PRIVATE PARTICIPANTS" herein. The Administration will assign all of its right, title and interest in and to the Financing Agreement (except the Unassigned Rights) to the Trustee for the benefit of the registered owners of the Bonds.

The Borrower's repayment obligations in respect of the Bond Mortgage Loan will be evidenced by a non-recourse Bond Mortgage Note (together with all riders and addenda thereto, the "Bond Mortgage Note") dated the date of initial issuance of the Bonds (the "Delivery Date"), delivered to the Administration. To secure the Borrower's obligations under the Bond Mortgage Note, the Borrower will execute and deliver to the Administration a first lien Multifamily Deed of Trust, Assignment of Rents and Security Agreement (the "Bond Mortgage") with respect to the Project. The principal amount and payment provisions of the Bond Mortgage Note will be structured so that (a) the aggregate principal amount of the Bond Mortgage Note will never be less than the aggregate principal amount of Outstanding

Bonds; (b) the interest payable on the Bond Mortgage Note will never be less than the interest payable on the Outstanding Bonds; and (c) the required payments under the Bond Mortgage Note will be timely and sufficient in amount to make the payments due to the Bondholders on the Outstanding Bonds.

The Borrower will cause to be delivered to the Trustee on the Delivery Date a Credit Enhancement Agreement, dated as of the date of the Indenture (the "Credit Enhancement Agreement" or "Credit Facility"), between the Federal Home Loan Mortgage Corporation ("Freddie Mac" or the "Credit Facility Provider") and the Trustee, as credit enhancement for payments due under the Bond Mortgage Loan. Under the Credit Enhancement Agreement, subject to certain requirements set forth therein, on each Interest Payment Date, Freddie Mac will be required to pay directly to the Trustee (provided that the Trustee makes a conforming draw on the Credit Enhancement Agreement) the sum of the Interest Component and, if applicable, the Principal Component of a Guaranteed Payment with respect to the Bond Mortgage Loan. In addition, under the circumstances provided in the Indenture for a redemption of Bonds (or a purchase in lieu of redemption) or an acceleration of the principal of and interest on Bonds, Freddie Mac may pay to the Trustee amounts sufficient to effect, and so direct, such redemption, purchase or acceleration, in accordance with the Credit Enhancement Agreement. See "THE BONDS", "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Drawings Under Credit Facility," "—Events of Default" and "—Acceleration; Other Remedies Upon Event of Default" and "APPENDIX B—FORM OF CREDIT ENHANCEMENT AGREEMENT."

So long as Freddie Mac is not in default in its payment obligations under the Credit Enhancement Agreement, Freddie Mac shall control and shall have the right to exercise the Bond Mortgage Rights (as defined in the Intercreditor Agreement hereinafter defined) and Freddie Mac may direct the Trustee to assign the Trustee's interests in the Bond Mortgage Loan, including the Bond Mortgage Note, the Bond Mortgage and the other Bond Mortgage Loan Documents, to Freddie Mac at any time.

The Borrower's reimbursement obligations to Freddie Mac for draws made under the Credit Enhancement Agreement will be evidenced by a Reimbursement and Security Agreement, dated as of the date of the Indenture (the "Reimbursement Agreement"), between the Borrower and Freddie Mac. To secure the Borrower's reimbursement obligations under the Reimbursement Agreement, the Borrower will execute and deliver to Freddie Mac on the Delivery Date a second lien Second Multifamily Deed of Trust, Assignment of Rents and Security Agreement, dated as of the date of the Indenture (the "Reimbursement Mortgage"), with respect to the Project. The Reimbursement Mortgage does not secure repayment of the Bonds and Bondholders will have no rights with respect to and are not third party beneficiaries of the Reimbursement Mortgage. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Citibank, N.A. (the "Construction Phase Credit Facility Provider") will provide an irrevocable standby letter of credit to Freddie Mac, dated as of the Delivery Date (the "Construction Phase Credit Facility"), to secure the reimbursement obligations of the Borrower to Freddie Mac during the Construction Phase. To evidence the Borrower's reimbursement obligations to the Construction Phase Credit Facility Provider for draws made under the Construction Phase Credit Facility, the Borrower and the Construction Phase Credit Facility Provider will enter into a Letter of Credit and Reimbursement Agreement dated as of September 1, 2015 (the "Construction Phase Credit Reimbursement Agreement"). The Borrower's obligation to the Construction Phase Credit Facility Provider under the Construction Phase Credit Reimbursement Agreement will be secured under a third lien Third Multifamily Deed of Trust, Assignment of Rents and Security Agreement. Bondholders will have no rights with respect to and are not third party beneficiaries of the Construction Phase Credit Facility.

The Administration will assign the Bond Mortgage Note and the Bond Mortgage to the Trustee and Freddie Mac pursuant to the Indenture, as the respective interests of the Trustee and Freddie Mac may



appear, under and subject to the terms and conditions of the Intercreditor Agreement dated as of September 1, 2015 (the “Intercreditor Agreement”), among the Administration, the Trustee, the Construction Phase Credit Facility Provider and Freddie Mac. Pursuant to the Intercreditor Agreement, neither the Trustee nor the Bondholders will have the right to exercise remedies under the Bond Mortgage while the Credit Enhancement Agreement secures the Bond Mortgage Loan and Freddie Mac continues to honor its obligations thereunder.

Pursuant to the Indenture, prior to the Conversion Date (as defined herein), and subject to the applicable terms and conditions of the Construction Phase Financing Agreement dated as of September 1, 2015 (the “Construction Phase Financing Agreement”), among Freddie Mac, the Construction Phase Credit Facility Provider and Citibank, N.A., in its capacity as servicer of the Bond Mortgage Loan (the “Servicer”), the Construction Phase Credit Facility Provider may, by assignment from Freddie Mac, succeed to the interests of Freddie Mac under the Bond Financing Documents with the authority to exercise the rights otherwise granted to Freddie Mac under the Bond Financing Documents, subject, however, to certain rights of Freddie Mac under the Indenture.

Freddie Mac’s participation as a credit enhancer will not extend beyond the Construction Phase unless the Conditions to Conversion set forth in the Construction Phase Financing Agreement and in the commitment from Freddie Mac to the Servicer pursuant to which Freddie Mac has agreed to provide credit enhancement for the Bond Mortgage Loan are satisfied on or prior to March 1, 2017, or such later date as may be approved by Freddie Mac in its sole discretion (the “Forward Commitment Maturity Date”). If the Conditions to Conversion are satisfied on or prior to the Forward Commitment Maturity Date (or, to the extent not satisfied, are waived by Freddie Mac), the Bond Mortgage Loan will convert from the Construction Phase to the Permanent Phase (such an event referred to as the “Conversion”). Upon Conversion, the Credit Enhancement Agreement will continue to secure payments of principal of and interest on the Bond Mortgage Loan and payments of the redemption price (or purchase price in the event of a purchase in lieu of redemption) of the Bonds in accordance with the provisions thereof, Freddie Mac will release the Construction Phase Credit Facility and rights of the Construction Phase Credit Facility Provider under the Indenture will be of no force or effect and will be disregarded for all purposes of the Indenture. If the Conditions to Conversion are not satisfied prior to the Forward Commitment Maturity Date (or, to the extent not satisfied, are not waived by Freddie Mac), the Bond Mortgage Loan will not convert from the Construction Phase to the Permanent Phase, and the Bonds will be subject to mandatory redemption in whole (or purchase in lieu thereof). See “THE BONDS—Mandatory Redemption” herein. Any such mandatory redemption (or purchase) will be at a redemption price equal to the principal amount of the Bonds plus accrued interest to the redemption date. No such redemption (or purchase) will be made at a premium. In the event of such a mandatory redemption, the redemption price is to be paid with funds provided under the Credit Enhancement Agreement. Alternatively, in lieu of such redemption, the Bonds may be purchased by the Trustee in whole for the account of the Construction Phase Credit Facility Provider from amounts advanced under the Credit Enhancement Agreement. In either case, the Bondholders will be required to deliver their Bonds for redemption or purchase.

The Conditions to Conversion include, among other things, completion of rehabilitation of the Project substantially in compliance with the approved scope of work, the achievement of certain specified levels of occupancy from the leasing of units in the Project for a specified period of time and satisfaction by the Project of certain debt service coverage requirements. No assurance is given that all of the Conditions to Conversion will be timely satisfied on or prior to the Forward Commitment Maturity Date.

The Borrower is required to make its Bond Mortgage Loan payments to Citibank, N.A. in its capacity as Construction Phase Credit Facility Provider prior to the Conversion Date and in its capacity as Servicer on and after the Conversion Date. From amounts received from the Borrower, the Servicer is

required to (a) remit to Freddie Mac the Credit Enhancement Fee; (b) remit to the Trustee amounts for deposit to the Credit Facility Reimbursement Fund for reimbursement to Freddie Mac for draws made under the Credit Enhancement Agreement and to the Administration Fund for certain fees payable to the Trustee, the Administration, the Dissemination Agent and the Rebate Analyst; (c) retain its Servicer fees; and (d) make scheduled monthly deposits to fund certain reserves (which have been established solely for the benefit of Freddie Mac).

In addition, even if Conversion occurs, no assurance can be given that the principal amount of the Bond Mortgage Loan after Conversion, as finally determined in accordance with the Construction Phase Financing Agreement, will not be less than the original principal amount of the Bond Mortgage Loan. If the principal amount of the Bond Mortgage Loan, as finally determined in accordance with the Construction Phase Financing Agreement, is less than the original principal amount of the Bond Mortgage Loan, the principal amount of the Bond Mortgage Loan must, as a Condition to Conversion, be reduced by the Borrower's prepayment of the Bond Mortgage Loan in part (a "Loan Equalization Payment"). Upon such partial prepayment, a corresponding portion of the principal amount 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. The actual amount of any Loan Equalization Payment will only be determined at Conversion. 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 or purchase in whole, as described above. See also "THE BONDS—Mandatory Redemption" herein.

In the event Conversion occurs, the Term Bonds in the principal amount of \$2,900,000 maturing on September 1, 2017 (the "Short Term Bonds") are subject to mandatory redemption as described under "THE BONDS—Mandatory Redemption" herein.

The Project is required to be rented at certain affordable rents and occupied by households whose incomes satisfy certain provisions of the Act, the Administration's policies and applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable income tax regulations issued under the Code as set forth in a Declaration of Restrictive Covenants, dated as of the date of the Indenture (the "Tax Regulatory Agreement"), executed and delivered by the Borrower for the benefit of the Administration and the Trustee. Occupancy and rents are further restricted in connection with the Borrower's sale of low income housing tax credits. See "THE PROJECT AND THE PRIVATE PARTICIPANTS" and "SUMMARY OF CERTAIN PROVISIONS OF THE TAX REGULATORY AGREEMENT" herein.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE ADMINISTRATION, A UNIT OF THE DIVISION OF DEVELOPMENT FINANCE OF THE DEPARTMENT, A PRINCIPAL DEPARTMENT OF THE STATE, PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED THEREFOR UNDER THE INDENTURE. THE ADMINISTRATION HAS NO TAXING POWER. THE BONDS DO NOT CONSTITUTE A DEBT OF THE STATE, ANY POLITICAL SUBDIVISION THEREOF, THE ADMINISTRATION OR THE DEPARTMENT, OR A PLEDGE OF THE FAITH, CREDIT OR TAXING POWER OF THE STATE, ANY SUCH POLITICAL SUBDIVISION, THE ADMINISTRATION OR THE DEPARTMENT.

FREDDIE MAC'S OBLIGATIONS WITH RESPECT TO THE BONDS ARE SOLELY AS PROVIDED IN THE CREDIT ENHANCEMENT AGREEMENT. THE OBLIGATIONS OF FREDDIE MAC UNDER THE CREDIT ENHANCEMENT AGREEMENT WILL BE OBLIGATIONS SOLELY OF FREDDIE MAC, A SHAREHOLDER-OWNED, GOVERNMENT-SPONSORED ENTERPRISE ORGANIZED UNDER THE LAWS OF THE UNITED STATES OF AMERICA. FREDDIE MAC

HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE BONDS, BUT WILL BE OBLIGATED, PURSUANT TO THE CREDIT ENHANCEMENT AGREEMENT, TO PROVIDE FUNDS TO THE TRUSTEE TO PAY THE PURCHASE PRICE OF THE BONDS UNDER THE CIRCUMSTANCES DESCRIBED THEREIN. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, ANY AGENCY THEREOF, OR OF FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC.

Purchase of the Bonds is suitable only for sophisticated investors able to evaluate the credit of Freddie Mac and the other factors described herein. See "FREDDIE MAC" and "CERTAIN BONDHOLDERS' RISKS" herein.

Brief descriptions of the Indenture, the Financing Agreement, the Tax Regulatory Agreement, the Reimbursement Agreement, the Intercreditor Agreement, the Credit Enhancement Agreement and other documents and agreements are qualified in their entirety by reference to such documents and agreements, copies of which are available for inspection at the offices of the Trustee, Manufacturers and Traders Trust Company, 25 South Charles Street, Baltimore, Maryland 21201.

## **THE ADMINISTRATION**

The information under this heading has been provided solely by the Administration and has not been independently verified by the Trustee, the Borrower, the Underwriters, Freddie Mac, the Servicer or any of their respective counsel, members, officers or employees or Bond Counsel. No representation whatsoever as to the accuracy, adequacy or completeness of such information is made by the Trustee, the Borrower, the Underwriters, Freddie Mac, the Servicer or any of their respective counsel, members, officers or employees or Bond Counsel.

### **General Information**

The Administration was created in 1970 as a division of the Department of Economic and Community Development to meet the shortage of adequate, safe and sanitary housing in the State, particularly for persons or families of limited incomes. Chapter 311 of the Acts of Maryland 1987, effective July 1, 1987, abolished the Department of Economic and Community Development, created the Department and assigned the Administration as a unit of the Division of Development Finance of the Department.

The Secretary is the head of the Department and is appointed by the Governor with the advice and consent of the Senate. The Department consists of five divisions: the Division of Development Finance, the Division of Credit Assurance, the Division of Finance and Administration, the Division of Neighborhood Revitalization, and the Division of Information Technology.

The Division of Development Finance is the lending and bond issuing division of the Department, originating loans under the Department's various lending programs and providing underwriting services for loans to the Department and its other divisions and agencies. The Administration is a unit of the Division of Development Finance.

The Secretary, with the approval of the Governor, appoints the Director of the Administration, and the Director of the Administration, with the approval of the Secretary, appoints the Deputy Directors of the Administration and the other senior staff members of the Administration. The Act establishes the Housing Finance Review Committee ("HFRC") which has the responsibility to review and to give recommendations to the Secretary regarding loans or categories of loans and the investment and project

financing policies of the Administration. HFRC consists of seven members appointed by the Governor, including three members of the public and three members of the Department and one member of the Executive Branch not employed by the Department. When urgent action is required, the Secretary may approve a specific loan request without receiving the recommendation of HFRC.

The Division of Credit Assurance provides certain asset management, monitoring and workout related services to the Department and its divisions and agencies, including the Administration.

The Division of Finance and Administration provides budget, accounting, auditing and administrative services to the Department. In addition, the Administration has a finance office which handles finance and accounting for lending and bond activities and insurance activities. The Administration's finance office reports directly to the Director of the Administration.

The Division of Information Technology develops and maintains information systems and trains Department staff in the use of computer resources.

The Division of Neighborhood Revitalization provides state and federal financial assistance including loans, grants, guaranties and state tax credits to Maryland's sustainable communities; provides technical assistance programs to local governments, nonprofit organizations and small businesses to reinvest in these communities; and provides financial assistance to enable foreclosure prevention/mitigation housing and legal counseling.

The Department has established a Revenue Bond Advisory Board (the "Board"). The Board provides independent advice and expertise to the Department with respect to issuance of revenue bonds, including the Bonds. The Board consists of seven members appointed by the Secretary, including the Deputy Secretary (who chairs the Board), one representative of the Department, two representatives of other agencies of State government (one from an agency which issues revenue bonds), one representative of the State Treasurer's Office, and two members of the public. The Board reviews and makes recommendations to the Secretary with respect to each issuance of bonds. The Secretary has the final authority to approve each issuance after receipt of the Board's recommendation. When urgent action is required, the Secretary may approve an issuance of bonds without action by the Board or may vary the terms of the Board's recommendation. In addition, the Board advises the Department on procedures for issuing bonds and on selection and performance of financial advisors, underwriters, and accountants.

The Administration pays all costs and expenses of operating its programs from earnings received from its programs financed by bond indentures and resolutions of the Administration in excess of the amounts required to pay principal of and interest on its bonds and notes.

The Bonds are not, under any circumstances, payable from or secured by any other funds or assets of the Administration not expressly pledged under the Indenture to the payment of the Bonds, including, without limitation, the Administration's General Bond Reserve Fund.

The office of the Administration is located at 7800 Harkins Road, Lanham, Maryland 20706. Inquiries for documents or concerning this Official Statement should be directed to Investor Relations at (301) 429-7897 or CDABonds\_mailbox.dhcd@maryland.gov.

#### **Limited Involvement of the Administration**

The Administration has no obligation to review, control or oversee the activities of the Trustee or the Borrower or the compliance by either of them with any covenants or provisions of any related

documents, including (without limitation) any covenants that relate to the excludability from gross income of interest on the Bonds.

THE ADMINISTRATION ASSUMES NO RESPONSIBILITY FOR THE ACCURACY, SUFFICIENCY OF DISCLOSURES OR COMPLETENESS OF ANY INFORMATION PROVIDED BY FREDDIE MAC, THE BORROWER, THE TRUSTEE OR ANY OTHER PERSON FOR INCLUSION HEREIN.

## **THE BONDS**

### **General**

The Bonds are authorized to be issued under the Indenture as revenue bonds of the Administration. The Bonds will be fully registered as to principal and interest, without coupons, and will be numbered in the manner and with any additional designation as the Trustee, as Bond Registrar, deems necessary for the purpose of identification. All of the Bonds are equally and ratably secured under the Indenture. The Bonds will be dated their date of delivery.

Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will bear interest from the later of the Delivery Date or the most recent Interest Payment Date to which interest has been paid or duly provided for and will be payable on each Interest Payment Date, in each case from the Interest Payment Date next preceding the date of authentication thereof to which interest has been paid or duly provided for, unless the date of authentication is an Interest Payment Date to which interest has been paid or duly provided for, in which case from the date of authentication of the Bond, or unless no interest has been paid or duly provided for on the Bonds, in which case from the Delivery Date, until payment of the principal of the Bond has been made or duly provided for. Notwithstanding the foregoing, if a Bond is authenticated after a Record Date and before the following Interest Payment Date, such Bond will bear interest from such Interest Payment Date; provided, however, that if a default in the payment of interest due occurs on such Interest Payment Date, then the Bonds will bear interest from the next preceding Interest Payment Date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for on the Bonds, from the Delivery Date.

The Bonds will be issued in Authorized Denominations and will bear interest payable on each Interest Payment Date at the rates per annum and will mature, subject to redemption prior to maturity, on the dates set forth on the inside cover page of this Official Statement.

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

Any interest on any Bond that is due and payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein "Defaulted Interest") will forthwith cease to be payable to the person in whose name such Bond is registered on the relevant Record Date and will be paid in the manner described in this paragraph. The Trustee may elect to make payment of any Defaulted Interest to the Persons in whose names the Bonds (or their respective predecessor Bonds) are registered at the close of business on a special record date for the payment of such Defaulted Interest (a "Special Record Date"),

which will be fixed in the following manner. The Trustee will determine the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (a “Special Interest Payment Date”), will fix a Special Record Date for the payment of such Defaulted Interest (which will be not more than 15 nor less than 10 days prior to the Special Interest Payment Date) and will cause notice of the Special Record Date and the proposed payment of such Defaulted Interest on the Special Interest Payment Date therefor to be mailed, first class, postage prepaid, to each Bondholder at such Bondholder’s address as it appears in the Bond Register not less than 10 days prior to such Special Record Date; notice of the proposed payment of such Defaulted Interest on the Special Interest Payment Date and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest will be paid to the Persons in whose names the Bonds (or their respective predecessor Bonds) are registered on such Special Record Date.

Payment of principal, premium, if any, and interest on the Bonds will be paid by check mailed on the Interest Payment Date to the registered Owner thereof at such registered Owner’s address as it appears on the Bond Register on the Record Date. Upon written request of a registered Owner of at least \$1,000,000 in principal amount of Bonds Outstanding received by the Trustee at least five Business Days prior to a Record Date, all payments of principal, premium, if any, and interest on the Bonds, less any reasonable wire transfer fees imposed by the Trustee, will be paid by wire transfer in immediately available funds to an account within the United States of America designated by such registered Owner.

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

### **Optional Redemption**

The Bonds are not subject to optional redemption prior to September 1, 2025. On and after September 1, 2025, the Bonds are subject to optional redemption from payments made under the Credit Facility or with other Eligible Funds deposited with the Trustee as follows:

(a) The Bonds are subject to optional redemption as described in the immediately preceding paragraph with the prior written consent of the Credit Facility Provider and the Administration, in whole or in part, upon optional prepayments on the Bond Mortgage Loan in accordance with the prepayment restrictions set forth in the Bond Mortgage Note and the Financing Agreement on any Business Day, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest, if any, to the redemption date.

(b) The Trustee will effect a redemption of Bonds as described above at the earliest practicable date for which notice may be given under the Indenture but in no event later than 35 days following its receipt of money representing an optional prepayment of the Bond Mortgage Loan.

## **Mandatory Redemption**

The Bonds are subject to mandatory redemption on any Business Day, in whole or in part as indicated below, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium, at the earliest practicable date from payments made under the Credit Facility upon the occurrence of any of the following:

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

(b) in whole or in part, upon receipt by the Trustee of amounts from the Credit Facility Provider pursuant to the Credit Facility as a result of the occurrence of an event of default under any Bond Mortgage Loan Document and receipt by the Trustee of a written direction of the Administration (given at the written direction of the Credit Facility Provider, with the consent of the Construction Phase Credit Facility Provider) to redeem the Bonds pursuant to the Credit Facility; or

(c) in part, as provided under “THE BONDS—Mandatory Sinking Fund Redemption” below; or

(d) in part, at the written direction of the Credit Facility Provider, in the event the Borrower is required to make a Loan Equalization Payment in an amount equal to the Loan Differential pursuant to the Construction Phase Financing Agreement; or

(e) in part, on the Interest Payment Date next following the completion of the rehabilitation of the Project, to the extent amounts remaining in the Project Account of the Bond Mortgage Loan Fund are transferred to the Redemption Fund pursuant to the Indenture; or

(f) in whole, upon receipt by the Trustee of a written direction by the Credit Facility Provider to redeem the Bonds pursuant to the Credit Facility as a result of the occurrence of a Borrower Default, a Construction Lender Default (provided that no substitute construction lender is substituted in the place and stead of the Construction Phase Credit Facility Provider pursuant to the Construction Phase Financing Agreement) or a Direction to Draw; or

(g) in whole, at the written direction of the Credit Facility Provider, on or after the Forward Commitment Maturity Date, if the Notice of Conversion is not issued by the Servicer prior to the Forward Commitment Maturity Date; or

(h) in part, upon receipt by the Trustee of (i) a written direction by the Administration (given at the written direction of the Credit Facility Provider to the Administration) to redeem Bonds pursuant to the Credit Facility in the event the Borrower makes a Required Principal Paydown (as defined in the Reimbursement Agreement) in accordance with the terms of the Reimbursement Agreement and (ii) amounts from the Credit Facility Provider pursuant to the Credit Facility; or

(i) with respect to the Short Term Bonds (i.e., the Term Bonds maturing on September 1, 2017) in whole, on the Conversion Date.

In the event any Bond is to be redeemed, or the principal amount thereof is otherwise to be paid, in whole or in part using unexpended proceeds of the Bonds, the Trustee must receive an opinion of Bond Counsel to the effect that such redemption or payment will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

### **Mandatory Sinking Fund Redemption**

The Bonds are subject to mandatory sinking fund redemption on the dates and in the amounts set forth in the table below; provided that if less than all the Bonds are redeemed as described under “THE BONDS—Optional Redemption” or “—Mandatory Redemption” above, the amount of Bonds to be redeemed in each year from sinking fund installments as described herein will be decreased by an amount, in proportion, as nearly as practicable, to the decrease in the payments on the Bond Mortgage Loan in such year as determined by the Trustee (in consultation with the Servicer):

#### **Sinking Fund Schedule for Bonds Maturing on September 1, 2032**

<b>Redemption Date</b>	<b>Principal Amount</b>	<b>Redemption Date</b>	<b>Principal Amount</b>
March 1, 2026	\$25,000	September 1, 2029	\$25,000
September 1, 2026	20,000	March 1, 2030	30,000
March 1, 2027	25,000	September 1, 2030	30,000
September 1, 2027	25,000	March 1, 2031	30,000
March 1, 2028	25,000	September 1, 2031	30,000
September 1, 2028	25,000	March 1, 2032	40,000
March 1, 2029	30,000	September 1, 2032 <sup>†</sup>	2,750,000

<sup>†</sup> Stated maturity.

### **Selection of Bonds for Redemption**

The Trustee will select Bonds subject to mandatory sinking fund redemption as described under the heading “THE BONDS—Mandatory Sinking Fund Redemption” above by lot within the appropriate maturity. If less than all the Bonds then Outstanding are called for redemption other than as a result of mandatory sinking fund redemption, the Trustee will redeem an amount of Bonds so that the resulting decrease in debt service on the Bonds in each semi-annual period ending on an Interest Payment Date is proportional, as nearly as practicable, to the decrease in the payments on the Bond Mortgage Note in each such semi-annual period, as verified by the Servicer, and the Bonds will be selected by lot within each maturity, the cost of such selection being at the Borrower’s expense.

Bonds will be redeemed pursuant to the Indenture only in Authorized Denominations.

### **Notice of Redemption**

Notice of the intended redemption of each Bond will be given by the Trustee by first-class mail, postage prepaid, or by facsimile transmission, to the registered Owner at the address of such Owner shown on the Bond Register. All such redemption notices will be given not less than 20 days (not less than 30 days in the case of optional or mandatory sinking fund redemptions) nor more than 60 days prior to the date fixed for redemption. The Trustee may provide a conditional notice of redemption upon the direction of the Administration given at the direction of the Credit Facility Provider or the Borrower (with the prior written consent of the Administration, the Credit Facility Provider and the Construction Phase Credit Facility Provider).



Notices of redemption will state the redemption date and the redemption price, the place or places where amounts due upon such redemption will be payable, and, if less than all of the then Outstanding Bonds are called for redemption, will state (a) the numbers of the Bonds to be redeemed by giving the individual certificate number of each Bond to be redeemed or will state that all Bonds between two stated certificate numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption only if such Bonds cease to be book entry bonds; (b) the CUSIP numbers of all Bonds being redeemed if available; (c) the amount of each Bond being redeemed (in the case of a partial redemption); (d) the date of issue of the Bond as originally issued; (e) the rate of interest borne by each Bond redeemed; (f) the maturity date of each Bond being redeemed; (g) the possibility of a purchase of Bonds in lieu of redemption, if applicable; (h) the conditions, if any, which must be satisfied in order for the redemption to take place on the scheduled date of redemption; including, as described above under the heading "Optional Redemption," that Eligible Funds are available to pay the redemption price on the Bonds; and (i) any other descriptive information needed to identify accurately the Bonds being redeemed.

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

Notice of such redemption will also be sent by first-class mail, overnight delivery service, facsimile transmission or other secure means, postage prepaid, to the Credit Facility Provider, to the Servicer, to the Construction Phase Credit Facility Provider, to the Rating Agency, to the Securities Depository and to the Information Service that disseminates securities redemption notices, when possible, not later than the time of mailing the notices required by the first paragraph above, and in any event no later than simultaneously with the giving of notices required by the first paragraph above; provided, that neither failure to receive such notice nor any defect in any notice so given will affect the sufficiency of the proceedings for the redemption of such Bonds.

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

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

### **Effect of Notice of Redemption**

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

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

Notwithstanding anything in the Indenture to the contrary, but subject to the provisions of the Indenture described under “—Special Purchase in Lieu of Redemption” below, at any time the Bonds are subject to redemption in whole pursuant to the provisions of the Indenture, all (but not less than all) of the Bonds to be redeemed may be purchased by the Trustee (for the account of the Borrower or the Credit Facility Provider or their respective designee, as directed by such party) on the date which would be the redemption date at the direction of the Credit Facility Provider or the Borrower, with the prior written consent of the Credit Facility Provider (which direction will specify that such purchase is pursuant to the Indenture and will be given no later than 5:00 p.m., Washington, D.C. time, on the Business Day immediately prior to such redemption date), at a purchase price equal to the redemption price which would have been applicable to such Bonds on the redemption date. The Bonds will be purchased in lieu of redemption only from amounts provided by the Credit Facility Provider or from other Eligible Funds. In the event the Trustee is so directed to purchase Bonds in lieu of redemption, no notice to the holders of the Bonds to be so purchased (other than the notice of redemption otherwise required under the Indenture) will be required, and the Trustee will be authorized to apply to such purpose the funds in the Redemption Fund which would have been used to pay the redemption price for such Bonds if such Bonds had been redeemed rather than purchased.

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

If all Bonds Outstanding are called for redemption in whole under clauses (b), (f) or (g) under “THE BONDS—Mandatory Redemption” at any time that the Construction Phase Credit Facility is in effect, the Bonds may, in lieu of such redemption, be purchased (“Special Purchased Bonds”) by the Trustee, at the written direction of the Administration (given at the written direction of the Construction Phase Credit Facility Provider) to the Trustee, for the account of the Construction Phase Credit Facility Provider, so long as the Construction Phase Credit Facility Provider has fully and timely honored, and has paid the Credit Facility Provider the full amount drawn by the Credit Facility Provider under, the Construction Phase Credit Facility. Any such purchase of Bonds shall be in whole and not in part. Such purchase shall be made on the date the Bonds are otherwise scheduled to be redeemed (the “Special Purchase Date”). The purchase price of the Special Purchased Bonds (the “Special Purchase Price”) shall be equal to the principal amount of the Special Purchased Bonds, plus accrued interest, if any, on the Special Purchased Bonds to the Special Purchase Date. The payment source shall consist solely of funds to be advanced by the Credit Facility Provider under the Credit Facility.

Bonds to be purchased as described in the preceding paragraph which are not delivered to the Trustee on the Special Purchase Date shall be deemed to have been so purchased and not redeemed on the Special Purchase Date and shall cease to accrue interest as to the former owner on the Special Purchase Date.

Notice of the election by the Construction Phase Credit Facility Provider to purchase Bonds otherwise called for redemption shall be delivered in writing to the Administration, the Trustee, the Credit Facility Provider, the Servicer and the Rating Agency not less than one Business Day prior to the date otherwise scheduled for redemption of the Bonds. In the event the Trustee is so directed to purchase Bonds in lieu of redemption, no notice to the holders of the Bonds to be so purchased (other than the notice of redemption otherwise required under the Indenture) shall be required, and the Trustee shall be authorized to apply to such purpose the funds in the Redemption Account which would have been used to pay the redemption price for such Bonds if such Bonds had been redeemed rather than purchased.

## **Acceleration**

Under certain circumstances provided in the Indenture, Freddie Mac may pay to the Trustee amounts sufficient to effect, and so direct, an acceleration of the principal of and interest on the Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default” and “—Acceleration; Other Remedies Upon Event of Default.”

## **Book-Entry Only System of Registration**

Notwithstanding the foregoing provisions of the Indenture, each of the Bonds will initially be issued in the form of one fully registered bond for the aggregate principal amount of the Bonds of each series and maturity, which Bonds will be registered in the name of Cede & Co., as nominee of DTC. Except as described under this heading below, all of the Bonds will be registered in the Bond Register in the name of Cede & Co., as nominee of DTC; provided that if DTC requests that the Bonds be registered in the name of a different nominee, the Trustee will exchange all or any portion of the Bonds for an equal aggregate principal amount of Bonds registered in the name of such nominee or nominees of DTC. No Person other than DTC or its nominee or any “FAST” agent for DTC will be entitled to receive from the Administration or the Trustee either a Bond or any other evidence of ownership of the Bonds, or any right to receive any payment in respect thereof unless DTC or its nominee transfers record ownership of all or any portion of the Bonds on the Bond Register in connection with discontinuing the book entry system as provided in the last paragraph under this heading or otherwise.

So long as the Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal or redemption price of or interest on such Bonds will be made to DTC or its nominee in same day funds on the dates provided for such payments under the Indenture. Each such payment to DTC or its nominee will be valid and effective to fully discharge all liability of the Administration and the Trustee with respect to the principal or redemption price of or interest on the Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Bonds Outstanding of any series or maturity, the Trustee will not require surrender by DTC or its nominee of the Bonds so redeemed, but DTC (or its nominee) may retain such Bonds and make an appropriate notation on the Bond certificate as to the amount of such partial redemption; provided that DTC will be required to deliver to the Trustee, upon request, a written confirmation of such partial redemption and thereafter the records maintained by the Trustee will be conclusive as to the amount of the Bonds of such maturity which have been redeemed.

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

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

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

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

The book-entry system for registration of the ownership of the Bonds will be discontinued in the event that the Bonds are purchased in lieu of redemption pursuant to the Indenture. See "BOOK-ENTRY ONLY SYSTEM" below.

### **BOOK-ENTRY ONLY SYSTEM**

The information in this section concerning The Depository Trust Company ("DTC") and DTC's Book-Entry System has been obtained from DTC and has not been independently verified by the Administration, the Trustee, the Borrower, the Underwriters, Freddie Mac, the Servicer or any of their respective counsel, members, officers or employees or Bond Counsel. No representation whatsoever as to the accuracy, adequacy or completeness of such information is made by the Administration, the Trustee, the Borrower, the Underwriters, Freddie Mac, the Servicer or any of their respective counsel, members, officers or employees or Bond Counsel.

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

DTC, the world's largest securities 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

3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 a Standard & Poor's rating of "AA+". 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of a maturity of the Bonds is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

Payments of principal and purchase price of and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Administration or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Administration, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and purchase price to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Administration or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, reference herein to the registered owners of the Bonds (other than under the heading "TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

### **Trust Estate**

Under the Indenture, the Administration grants to the Trustee a security interest in the following (said property being herein referred to as the "Trust Estate"), in order to secure the payment of principal of, premium, if any, and interest on the Bonds according to their tenor and effect, the payment to Freddie

Mac of the Freddie Mac Reimbursement Amount and the Freddie Mac Credit Enhancement Fee in accordance with the provisions of the Indenture and of the Credit Enhancement Agreement and the Reimbursement Agreement, and the performance and observance by the Administration of all the covenants expressed or implied in the Indenture and in the Bonds:

- (a) all right, title and interest of the Administration in and to all Revenues;
- (b) all right, title and interest of the Administration (other than the Unassigned Rights) in and to the Financing Agreement, the Bond Mortgage Note, the Bond Mortgage and the Credit Facility, including all extensions and renewals of the terms thereof, if any, including, but without limiting the generality of the foregoing, the present and continuing right to receive, receipt for, collect or make claim for any of the money, income, revenues, issues, profits and other amounts payable or receivable thereunder (including all casualty insurance benefits or condemnation awards subject to the interest of the Credit Facility Provider under the Reimbursement Agreement and the Intercreditor Agreement), whether payable under the above referenced documents or otherwise, to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Administration or any other Person is or may become entitled to do under said documents; and
- (c) except for funds, money or securities in the Cost of Issuance Fund, the Administration Fund, the Borrower Equity Account, the Credit Facility Reimbursement Fund and the Rebate Fund, all funds, money and securities and any and all other rights and interests in property whether tangible or intangible from time to time hereafter by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture for the Bonds by the Administration or by anyone on its behalf or with its written consent to the Trustee, which is authorized under the Indenture to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture.

### **Limited Obligations**

THE BONDS, TOGETHER WITH THE INTEREST THEREON, AND REDEMPTION PREMIUM, IF ANY, ARE SPECIAL OBLIGATIONS OF THE ADMINISTRATION, A UNIT OF THE DIVISION OF DEVELOPMENT FINANCE OF THE DEPARTMENT, A PRINCIPAL DEPARTMENT OF THE STATE, PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED THEREFOR UNDER THE INDENTURE. THE ADMINISTRATION HAS NO TAXING POWER. THE BONDS DO NOT CONSTITUTE A DEBT OF THE STATE, ANY POLITICAL SUBDIVISION THEREOF, THE ADMINISTRATION OR THE DEPARTMENT, OR A PLEDGE OF THE FAITH, CREDIT OR TAXING POWER OF THE STATE, ANY SUCH POLITICAL SUBDIVISION, THE ADMINISTRATION OR THE DEPARTMENT.

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

Any obligation of the Administration under the Indenture to the Credit Facility Provider by reason of the pledge of the Trust Estate for the benefit of the Credit Facility Provider pursuant to the granting clause of the Indenture will be limited as provided therein.

## **The Credit Enhancement Agreement**

The Trust Estate pledged under the Indenture, as described above, includes the Credit Enhancement Agreement. Pursuant to the Credit Enhancement Agreement, Freddie Mac is required to pay directly to the Trustee Guaranteed Payments with respect to the Bond Mortgage Loan when and in the amounts due. In addition, under the circumstances provided in the Indenture for a redemption of Bonds (or a purchase in lieu of redemption) or an acceleration of the principal of and interest on Bonds, Freddie Mac may pay to the Trustee amounts sufficient to effect, and so direct, such redemption, purchase or acceleration, in accordance with the Credit Enhancement Agreement. See “THE BONDS.” The obligations of Freddie Mac under the Credit Enhancement Agreement are unsecured obligations of Freddie Mac. See “FREDDIE MAC” herein and “APPENDIX B—FORM OF CREDIT ENHANCEMENT AGREEMENT” hereto. See also “CERTAIN BONDHOLDERS’ RISKS—Credit Facility as Primary Security for Bonds.”

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

## **SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT**

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

### **Defined Terms**

Capitalized terms used under this heading and not defined hereunder or elsewhere in this Official Statement will have the meanings assigned thereto in the Reimbursement Agreement.

### **General**

The obligations of the Borrower to Freddie Mac under the Credit Enhancement Agreement will be evidenced by the Reimbursement Agreement. Under the Reimbursement Agreement, the Borrower will be obligated to repay Freddie Mac all sums of money Freddie Mac has advanced to the Trustee under the Credit Enhancement Agreement. The Reimbursement Agreement also provides that the Borrower is to pay the Freddie Mac Credit Enhancement Fee, the fee of the Servicer, make scheduled monthly payments and deposits to fund certain collateral accounts and other reserves (which have been established solely for the benefit of Freddie Mac) and other fees and expenses as provided therein.



## Events of Default

Under the provisions of the Reimbursement Agreement, Freddie Mac may declare an Event of Default under the Reimbursement Agreement if any one of the following occurs:

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

(b) the Borrower fails to perform specified obligations under the Reimbursement Agreement including obligations such as maintaining the tax-exempt status of the Bonds, not acquiring real or personal property other than the Project and assets (such as accounts) related to the operations and maintenance of the Project or engaging in any business or activity other than in connection with the ownership, management and operation of the Project, not amending or modifying its organizational documents without Freddie Mac's prior written consent, not dissolving or liquidating in whole or in part, not merging or consolidating with any other Person, not permitting subordinate financings with respect to the Project without Freddie Mac's prior written consent or not voluntarily prepaying the Bond Mortgage Loan except in accordance with the Reimbursement Agreement;

(c) the Borrower fails to observe or perform any other term, covenant, condition or agreement set forth in the Reimbursement Agreement, which failure continues for a period of 30 days after notice of such failure by Freddie Mac to the Borrower (unless such default cannot with due diligence be cured within 30 days but can be cured within a reasonable period and will not, in Freddie Mac's sole discretion, adversely affect Freddie Mac or result in impairment of the Reimbursement Agreement, the Bond Mortgage, the Reimbursement Mortgage or any other Reimbursement Security Document, in which case no Event of Default will be deemed to exist so long as Borrower commences to cure the default or Event of Default within 30 days after receipt of notice, and thereafter diligently and continuously prosecutes such cure to completion); provided, however, no such notice or grace periods will apply in the case of any such failure which could, in Freddie Mac's judgment, absent immediate exercise by Freddie Mac of a right or remedy under the Reimbursement Agreement, result in harm to Freddie Mac; or impairment of the Reimbursement Agreement, the Bond Mortgage, the Reimbursement Mortgage or any other Reimbursement Security Document;

(d) the Borrower fails to observe or perform any other term, covenant, condition or agreement set forth in any of the other Borrower Documents or there otherwise occurs an "Event of Default" under the Reimbursement Mortgage or an event of default under any of the other Borrower Documents (taking into account any applicable cure period);

(e) any representation or warranty made by or on behalf of the Borrower in the Reimbursement Agreement, in any other Borrower Document or in any certificate delivered by the Borrower to Freddie Mac or to the Servicer pursuant to the Reimbursement Agreement or any other Borrower Document is inaccurate or incorrect in any material respect when made or deemed made;

(f) prior to Conversion, the Trustee draws upon the Credit Enhancement Agreement for any reason other than to make a regularly scheduled payment of interest with respect to the Bond Mortgage Loan or a payment of interest and principal in connection with a Pre-Conversion Loan Equalization Payment;

(g) prior to Conversion, Freddie Mac is given a Direction to Draw by the Construction Phase Credit Facility Provider;

(h) the occurrence of a “Borrower Default”, “Letter of Credit Default” or “Construction Lender Default” (as such terms are defined in the Construction Phase Financing Agreement) prior to Conversion;

(i) the Borrower fails to pay the Required Principal Paydown in accordance with the Reimbursement Agreement or shall fail to provide redemption directions to the Trustee if so directed by Freddie Mac; or

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

### **Remedies; Waivers**

Upon the occurrence of an Event of Default, Freddie Mac may declare all the obligations of the Borrower under the Reimbursement Agreement to be immediately due and payable, in which case all such obligations will become due and payable, without presentment, demand, protest or notice of any kind, including notice of default, notice of intent to accelerate or notice of acceleration. In addition to the foregoing, Freddie Mac has the right to take any action at law or in equity, without notice or demand, as it deems advisable to protect and enforce the rights of Freddie Mac against the Borrower in and to the Project conveyed by the Reimbursement Mortgage or the Bond Mortgage, including, but not limited to, the following actions: (a) demand cash collateral or Qualified Investments in the full amount of the obligations under the Bonds whether or not then due and payable by Freddie Mac under the Credit Enhancement Agreement; (b) give written notice to the Trustee stating that an Event of Default has occurred and is continuing under the Reimbursement Agreement and directing the Trustee to cause the mandatory redemption (or purchase in lieu) of the Bonds; and (c) exercise any rights and remedies available to Freddie Mac under any of the Borrower Documents. Also, following an Event of Default under the Reimbursement Agreement, Freddie Mac may exercise the same rights, powers, and remedies with respect to the UCC Collateral (as defined in the Reimbursement Agreement) that the Borrower may exercise, which rights, powers and remedies are incorporated in the Reimbursement Agreement for all purposes. In furtherance and not in limitation of the foregoing, Freddie Mac will have all rights, remedies and recourses with respect to the UCC Collateral granted in the Borrower Documents and any other instrument executed in connection therewith, or existing at common law or equity (including specifically those granted by the Uniform Commercial Code as adopted by the State and any other state in which the filing of a UCC financing statement is necessary to perfect Freddie Mac’s security interest), the right of offset, the right to sell the UCC Collateral at public or private sale, and the right to receive distributions to the Borrower.

Freddie Mac has the right, to be exercised in its discretion, to waive any Event of Default under the Reimbursement Agreement. Unless such waiver expressly provides to the contrary, any waiver so granted 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.

### **Reimbursement Mortgage**

The obligations of the Borrower under the Reimbursement Agreement will be secured by, among other things, the Reimbursement Mortgage. The Reimbursement Mortgage will be subordinate to the

Bond Mortgage, subject to the terms of the Intercreditor Agreement. Bondholders will have no rights under and are not third-party beneficiaries under the Reimbursement Mortgage.

### **Amendments**

The Reimbursement Agreement can be amended by Freddie Mac and the Borrower without the consent of, or notice to, the Administration, the Trustee or the holders of the Bonds.

### **FREDDIE MAC**

The information under this heading has been provided solely by Freddie Mac and has not been independently verified by the Administration, the Trustee, the Borrower, the Underwriters, the Servicer or any of their respective counsel, members, officers or employees or Bond Counsel. No representations whatsoever as to the accuracy, adequacy, or completeness of such information is made by the Administration, the Trustee, the Borrower, the Underwriters, the Servicer or any of their respective counsel, members, officers or employees or Bond Counsel. The information is qualified in its entirety by reference to the Incorporated Documents, as defined below.

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

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

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

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

As described below, Freddie Mac incorporates certain documents by reference in this Official Statement, which means that Freddie Mac is disclosing information to you by referring you to those documents rather than by providing you with separate copies. Freddie Mac incorporates by reference in this Official Statement its proxy statement, and all documents that Freddie Mac files with the SEC pursuant to Section 13(a), 13(c) or 14 of the Exchange Act, after July 18, 2008 and prior to the completion of the offering of the related Bonds, excluding any information that Freddie Mac may "furnish" to the SEC but that is not deemed to be "filed." Freddie Mac also incorporates by reference its Registration Statement on Form 10, in the form declared effective by the SEC on July 18, 2008 (the "Registration Statement"). These documents are collectively referred to as the "Incorporated Documents" and are considered part of this Official Statement. You should read this Official Statement, in conjunction with the Incorporated Documents. Information that Freddie Mac incorporates by reference will automatically update information in this Official Statement. Therefore, you should rely only on the most current information provided or incorporated by reference in this Official Statement.

You may read and copy any document Freddie Mac files with the SEC at the SEC's public reference room at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. These SEC filings are also available to the public from the SEC's web site at <http://www.sec.gov>.

Freddie Mac makes no representations as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility of performance of any project, or compliance with any securities, tax or other laws or regulations. Freddie Mac's role is limited to discharging its obligations under the Credit Enhancement Agreement.

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

#### **THE PROJECT AND THE PRIVATE PARTICIPANTS**

The information under this heading has been provided solely by the Borrower and has not been independently verified by the Administration, the Trustee, the Underwriters, Freddie Mac, the Servicer or any of their respective counsel, members, officers or employees or Bond Counsel. No representation whatsoever as to the accuracy, adequacy, or completeness of such information is made by the

Administration, the Trustee, the Underwriters, Freddie Mac, the Servicer or any of their respective counsel, members, officers or employees or Bond Counsel.

**The Project**

The Project, known as Cumberland Arms Apartments, is an existing 69-unit rental development located on an approximately 0.64 acre site at 10 N. Liberty Street, Cumberland, Allegany County, Maryland originally constructed in 1917. The proceeds of the Bonds will be used to finance the acquisition and rehabilitation of the Project by the Borrower. Upon completion of the rehabilitation, the Project will consist of 69 low-income housing tax credit units in one 6-story building. Property renovations are expected to commence in September 2015 and be completed in August 2016.

The building has a basement level which contains a boiler room, electrical room, maintenance room, and storage areas. Existing amenities included a laundry room and a large meeting room. The rehabilitation of the Project will include construction of a roof deck and enlarging the laundry room. The rehabilitation will also include replacement of windows, fixtures, finishes and mechanical equipment in the common areas and the apartment units. The elevator will be rehabilitated and photovoltaic solar panels will be installed.

Post-rehabilitation, the unit mix of the 69 units within the Project will be as shown in the table below.

<b>Number of Units</b>	<b>Composition</b>	<b>Approximate Square Footage</b>
58	1 Bedroom – 1 Bath	580
11	2 Bedroom – 1 Bath	760

**Low Income Housing Tax Credit Restrictions and Regulatory Agreements**

Pursuant to the low income housing tax credit covenant to be recorded under Section 42 of the Code relating to the low income housing tax credits being used by the Borrower for certain equity requirements for the Project, and separate regulatory agreements and/or restrictive covenants that the Borrower will enter into with the Administration and the Department, respectively, all of the 69 rental units will be restricted to households at or below 60% of area median income adjusted for family size for a term of at least 40 years.

**The Borrower**

The Borrower is Hampstead Cumberland Arms Partners II, L.P., formed for the sole purpose of acquiring, rehabilitating and operating the Project. The general partner of the Borrower is Hampstead Arms II, LLC (the “General Partner”), and the managing member of the General Partner is Hampstead Partners, Inc., a California corporation (“Hampstead Partners”). The administrative general partner of the Borrower is Nix Cumberland Arms, LLC. The Developer is The Hampstead Group, Inc., a California corporation (the “Developer”). The General Partner owns a 0.005% ownership interest in the Borrower, and Hampstead Partners owns 100% of the General Partner. The Developer focuses on the development of affordable housing and develops, constructs, and retains ownership of properties in Arizona, California, Maryland, the District of Columbia and South Carolina. The Developer currently owns 11 multifamily properties and three senior communities. As a San Diego, California-based company, the

Developer has been providing real estate services for over 21 years under the umbrella of The Hampstead Companies whose current members have been developing affordable housing together since 2005.

The Borrower has not acquired and does not intend to acquire any substantial assets or engage in any substantial business activities other than those related to the Project. However, affiliates of the Borrower may engage in the acquisition, development, ownership and management of other similar types of projects that may be competitive with the Project.

### **The Contractor**

The Contractor for the Project will be Nastos Construction, Inc. based in Washington, D.C. (the "Contractor"). The Contractor and its affiliated construction companies have been constructing and rehabilitating multifamily rental housing developments for over 13 years.

### **The Architect**

The architect for the Project is The Arcadia Group, Inc. (the "Architect") based in San Diego, California. The Architect has been the principal architect for over 54 low income housing tax credit senior and multifamily developments with an excess of 5,823 units.

### **Property Management**

The Project is currently managed by the Edgewood Management Corporation, and Edgewood Management Corporation will continue to manage the Project during and after the rehabilitation.

### **Limited Recourse to Borrower**

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

### **Subordinate Debt and Other Sources of Funds**

The Department will make a loan to the Borrower in an amount equal to \$2,500,000 from the Rental Housing Works initiative, to finance, in part, the development costs of the Project (the "RHW Loan"). The RHW Loan will be made available to the Borrower on terms and conditions acceptable to the Administration and Freddie Mac and must close on or before the Delivery Date.

Interim income will be used to fund, in part, the development costs of the Project. The Borrower has estimated that approximately \$399,971 in interim income will be available to the Borrower during the course of construction.

The Borrower will defer a portion of the developer's fee in an estimated amount of \$300,728, or such other amount acceptable to the Administration, to fund, in part, the costs of the acquisition and rehabilitation of the Project.

Equity proceeds from the investment in federal Low Income Housing Tax Credits, Federal Historic Rehabilitation Tax Credits, Maryland Sustainable Communities Rehabilitation Tax Credits, and Federal Energy Investment Tax Credits will be a source of income for the Project. The Borrower has estimated that approximately \$5,444,000 total equity proceeds will be raised to fund, in part, the acquisition and rehabilitation of the Project. Stratford Capital Group, or an affiliate thereof, will make an equity investment with respect to all tax credits on the Project and will obtain a 99.98% limited partner ownership in the Borrower.

### **PLAN OF FINANCING**

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

**Sources of Funds**

Bond Proceeds	\$6,315,000
RHW Loan	2,500,000
Tax Credit Equity <sup>1</sup>	5,444,000
Deferred Developer Fee	300,728
Retail Reimbursement	151,400
Interim Income	399,971
Equity; Return of Prepaid Fee	<u>63,150</u>
<b>Total</b>	<b><u>\$15,174,249</u></b>

<sup>1</sup>Includes equity proceeds from the sale of Low Income Housing Tax Credits, Federal Historic Rehabilitation Tax Credits, Maryland Sustainable Communities Rehabilitation Tax Credits and Federal Energy Investment Tax Credits.

**Uses of Funds**

Rehabilitation	\$4,182,262
Construction-Related Fees	715,578
Financing Fees and Charges	1,500,760
Acquisition Costs	4,227,995
Developer's Fee	1,304,308
Syndication-Related Costs	143,347
Guarantees and Reserves	200,000
Redemption of Short Term Bonds	<u>2,900,000</u>
<b>Total<sup>1</sup></b>	<b><u>\$15,174,249</u></b>

<sup>1</sup>The total uses of funds may not add due to rounding.

## **THE SERVICER**

The information under this heading has been provided solely by the Servicer and has not been independently verified by the Administration, the Trustee, the Borrower, the Underwriters, Freddie Mac or any of their respective counsel, members, officers or employees or Bond Counsel. No representation whatsoever as to the accuracy, adequacy or completeness of such information is made by the Administration, the Trustee, the Borrower, the Underwriters, Freddie Mac or any of their respective counsel, members, officers or employees or Bond Counsel.

Citibank, N.A. (the “Servicer”) will perform mortgage servicing functions with respect to the Bond Mortgage Loan pursuant to the Reimbursement Agreement and related documents on behalf of and in accordance with Freddie Mac requirements. The servicing arrangements between Freddie Mac and the Servicer for the servicing of the Bond Mortgage Loan are solely between Freddie Mac and the Servicer and neither the Administration nor the Trustee is deemed to be party thereto or has any claim, right, obligation, duty or liability with respect to the servicing of the Bond Mortgage Loan.

The Servicer will be obligated, pursuant to its arrangement with Freddie Mac and Freddie Mac’s servicing requirements, to perform diligently all services and duties specifically prescribed by Freddie Mac. Freddie Mac will monitor the Servicer’s performance and has the right to remove the Servicer with or without cause. The duties performed by the Servicer include general loan servicing responsibilities, collection and remittance of principal and interest payments, administration of mortgage escrow accounts and collection of insurance claims.

The Servicer makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility of performance of the Project or compliance with any securities, tax or other laws or regulations. The Servicer’s role is limited to originating, processing and servicing the Bond Mortgage Loan pursuant to the Reimbursement Agreement and the Borrower Documents.

## **THE TRUSTEE**

The information under this heading has been provided solely by the Trustee and has not been independently verified by the Administration, the Borrower, the Underwriters, Freddie Mac, the Servicer or any of their respective counsel, members, officers or employees or Bond Counsel. No representation whatsoever as to the accuracy, adequacy or completeness of such information is made by the Administration, the Borrower, the Underwriters, Freddie Mac, the Servicer or any of their respective counsel, members, officers or employees or Bond Counsel.

The Administration has appointed Manufacturers and Traders Trust Company, to serve as Trustee. The Trustee is to carry out those duties assignable to it under the Indenture and Bond Financing Documents. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the contents, accuracy, fairness or completeness of the information set forth in this Official Statement or for the recitals contained in the Indenture or the Bonds, or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the Administration of any of the Bonds authenticated or delivered pursuant to the Indenture or for the use or application of the proceeds of such Bonds by the Administration or Borrower. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the Bonds, the technical or financial feasibility of the Project, or the



investment quality of the Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

### **CERTAIN BONDHOLDERS' RISKS**

The purchase of the Bonds will involve a number of risks. In addition to factors set forth elsewhere in this Official Statement, purchasers of Bonds should carefully consider the following risk factors in connection with investment in the Bonds. The following is a summary, which does not purport to be comprehensive or definitive, of some of such risk factors.

#### **Credit Facility as Primary Security for Bonds**

In the event of the occurrence of any event precluding Freddie Mac from honoring its obligations to make payments as required in the Credit Facility, the financial resources of the Borrower will be the only source of payment on the Bonds. There can be no assurance that the financial resources of the Borrower or the revenues of the Project would be sufficient to pay the principal of, premium, if any, and interest on the Bonds in the event the Trustee were forced to seek recourse against the Borrower or the Project. See “—Enforceability and Bankruptcy” below and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

No review of the business or affairs of Freddie Mac has been conducted by the Administration, the Borrower or the Underwriters in connection with the offering of Bonds. No assurance can be given by the Administration, the Borrower or the Underwriters as to Freddie Mac’s ability to pay amounts due under the Credit Facility. See “RATING” herein, and “APPENDIX B—FORM OF CREDIT ENHANCEMENT AGREEMENT” hereto.

A purchase of the Bonds is only suitable for investors able to analyze, among other things, the credit of Freddie Mac. See “FREDDIE MAC.”

#### **No Borrower Personal Liability**

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

#### **Limited Obligations**

The Bonds are limited obligations of the Administration payable solely from certain funds pledged to and held by the Trustee pursuant to the Indenture and the Credit Facility.

**THE BONDS ARE SPECIAL OBLIGATIONS OF THE ADMINISTRATION, A UNIT OF THE DIVISION OF DEVELOPMENT FINANCE OF THE DEPARTMENT, A PRINCIPAL DEPARTMENT OF THE STATE, PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED THEREFOR UNDER THE INDENTURE. THE ADMINISTRATION HAS NO TAXING POWER. THE BONDS DO NOT CONSTITUTE A DEBT OF THE STATE, ANY**

**POLITICAL SUBDIVISION THEREOF, THE ADMINISTRATION OR THE DEPARTMENT, OR A PLEDGE OF THE FAITH, CREDIT OR TAXING POWER OF THE STATE, ANY SUCH POLITICAL SUBDIVISION, THE ADMINISTRATION OR THE DEPARTMENT.**

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

#### **No Acceleration or Early Redemption Upon Loss of Tax Exemption of Interest on the Bonds**

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

#### **Redemption Prior to Maturity**

Purchasers of Bonds should consider the fact that the Bonds are subject to redemption prior to maturity at a redemption price equal to their principal amount, plus accrued interest. This could occur, for example, in the event that the Bond Mortgage Loan is prepaid at the option of the Borrower, as a result of casualty or condemnation award payments affecting the Project, in the event of a default under the Bond Mortgage Loan Documents, in the event of a Loan Equalization Payment, upon Conversion with respect to the Short Term Bonds, or in the event Conversion does not occur. See "THE BONDS—Optional Redemption" and "—Mandatory Redemption" herein for all such redemption scenarios.

#### **Economic Feasibility**

The economic feasibility of the Project depends in large part upon its being substantially occupied at projected rent levels. There can be no assurance that in the future the Borrower will be able to market Project units at rates which will enable it to make timely payments on the Bond Mortgage Loan.

#### **Competing Facilities**

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

## **Enforceability and Bankruptcy**

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

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

## **Additional Bonds and Additional Subordinate Financing**

The Borrower may obtain additional financing for the Project at a future date. Such additional financing could be in the form of additional bonds issued by the Administration. Such additional financing could also be in the form of a conventional loan the payment obligations with respect to which would be subordinate to, or in some cases could be on a parity with, the Borrower's payment obligations under the Bond Mortgage Loan. In either case, the increased repayment obligations of the Borrower could increase the likelihood of a default by the Borrower and an early redemption of the Bonds. Any such redemption would be at a price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

## **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

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

### **Establishment of Funds**

The Trustee is required to establish, maintain and hold in trust the following funds and accounts, each of which is established and each of which will be disbursed and applied only as authorized under the Indenture:

- (a) Bond Mortgage Loan Fund, and within the Bond Mortgage Loan Fund (i) a Project Account, and (ii) a Borrower Equity Account;
- (b) Revenue Fund, and within the Revenue Fund (i) a General Account, and (ii) a Credit Facility Account;
- (c) Bond Fund, and within the Bond Fund a Purchased Bonds Account;
- (d) Redemption Fund;
- (e) Administration Fund;
- (f) Cost of Issuance Fund;

(g) Credit Facility Reimbursement Fund, and within the Credit Facility Reimbursement Fund a Credit Facility Principal Reimbursement Account and a Credit Facility Interest Reimbursement Account; and

(h) Rebate Fund.

The funds and accounts established under the Indenture will be maintained in the corporate trust department of the Trustee as segregated trust accounts, separate and identifiable from all other funds held by the Trustee. The funds and accounts established under the Indenture will bear a designation clearly indicating that the funds deposited therein are held for the benefit of (a) the Holders of the Bonds, respecting the Revenue Fund, the Bond Fund and the Redemption Fund; (b) the Credit Facility Provider, respecting the Credit Facility Reimbursement Fund; (c) the Borrower, respecting the Administration Fund and the Cost of Issuance Fund; and (d) the Administration, respecting the Rebate Fund. The Trustee will, at the written direction of an Authorized Officer of the Administration, and may, in its discretion, establish such additional accounts within any Fund, and subaccounts within any of the accounts, as the Administration or the Trustee may deem necessary or useful for the purpose of identifying more precisely the sources of payments into and disbursements from that Fund and its accounts, or for the purpose of complying with the requirements of the Code relating to arbitrage, but the establishment of any such account or subaccount will not alter or modify any of the requirements of the Indenture with respect to a deposit or use of money in the funds established under the Indenture, or result in commingling of funds not permitted under the Indenture.

#### **Bond Mortgage Loan Fund**

*Deposit.* The Trustee is required to deposit the proceeds of the sale of the Bonds into the Project Account of the Bond Mortgage Loan Fund as provided in the Indenture. The Trustee is required to deposit the Borrower Equity Deposit into the Borrower Equity Account, as well as any additional amounts delivered from time to time to the Trustee and directed by the Borrower or Servicer to be deposited therein (excluding any proceeds of the Bonds), as provided in the Indenture.

*Disbursements.* Amounts on deposit in the Bond Mortgage Loan Fund will be disbursed from time to time by the Trustee for the purpose of paying (a) interest on the Bonds, (b) the Bond Fee Component and any fees due and payable to the Credit Facility Provider and the Construction Phase Credit Facility Provider, or (c) Costs of the Project. In addition, amounts on deposit in the Bond Mortgage Loan Fund will be transferred to the Redemption Fund, the Rebate Fund and the Borrower at the times and in the manner provided in the Indenture.

*Transfers and Requisitions.* The Trustee shall automatically transfer amounts from the respective accounts of the Bond Mortgage Loan Fund to the Administration Fund to pay to the appropriate party its accrued fees that are included in the Bond Fee Component that are due and payable as set forth in the Indenture or upon receipt of an invoice, and to the Credit Facility Provider and the Construction Phase Credit Facility Provider any fees due and payable, without any need for a Requisition or other written direction. Unless the Trustee is instructed otherwise in writing by the Construction Phase Credit Facility Provider, the Trustee shall automatically transfer amounts in the Project Account of the Bond Mortgage Loan Fund to the Bond Fund to pay interest on the Bonds without any need for a Requisition or other written direction. The Trustee will make disbursements from the respective accounts of the Bond Mortgage Loan Fund for the purposes described under clause (c) of the subheading "Disbursements" above only upon the receipt of Requisitions signed by an Authorized Officer of the Borrower and countersigned by an Authorized Officer of the Construction Phase Credit Facility Provider (signifying the consent to the Requisition by the Construction Phase Credit Facility Provider). The Trustee will have no right or duty to determine whether any requested disbursement from the Bond

Mortgage Loan Fund complies with the terms, conditions and provisions of the Construction Phase Credit Documents. The countersignature of the Authorized Officer of the Construction Phase Credit Facility Provider on a Requisition will be deemed a certification and, insofar as the Trustee and the Administration are concerned, constitute conclusive evidence, that all of the terms, conditions and requirements of the Construction Phase Credit Documents applicable to such disbursement have been fully satisfied or waived. The Trustee will, promptly upon each receipt of a completed Requisition signed by an Authorized Officer of the Borrower and countersigned by an Authorized Officer of the Construction Phase Credit Facility Provider, initiate procedures with the provider of a Qualified Investment to make withdrawals as necessary to fund the Requisition.

Notwithstanding anything to the contrary contained in the Indenture, (a) no signature of an Authorized Officer of the Borrower will be required during any period in which a default has occurred and is then continuing under the Bond Mortgage Loan or any Construction Phase Credit Document (notice of which default has been given in writing by the Construction Phase Credit Facility Provider to the Trustee and the Administration, and the Trustee will be entitled to conclusively rely on any such written notice as to the occurrence and continuation of such a default); and (b) the Trustee shall disburse amounts in the Bond Mortgage Loan Fund upon receipt of a Requisition signed only by the Construction Phase Credit Facility Provider (and without any need for any signature by an Authorized Officer of the Borrower or Servicer), with notice to the Borrower, so long as the amount to be disbursed is to be used solely to make payments of fees due under the Bond Mortgage Loan Documents or the Construction Phase Credit Documents.

**Timing.** If a Requisition signed by an Authorized Officer of the Borrower and countersigned by an Authorized Officer of the Construction Phase Credit Facility Provider or (as permitted under the Indenture) solely by an Authorized Officer of the Construction Phase Credit Facility Provider, is received by the Trustee, the requested disbursement will be paid by the Trustee as soon as practicable, but in no event later than three Business Days after receipt thereof by the Trustee. Upon final disbursement of all amounts on deposit in the Bond Mortgage Loan Fund, including all interest accrued therein, the Trustee will close the Bond Mortgage Loan Fund.

**Transfers To Effect Certain Mandatory Redemptions of Bonds.** Immediately prior to any mandatory redemption of Bonds as described in clauses (b), (f) and (g) under the heading “THE BONDS—Mandatory Redemption,” any amount then remaining in the Bond Mortgage Loan Fund will, at the written direction of the Credit Facility Provider, be transferred to the Redemption Fund to be applied to reimburse the Credit Facility Provider for the related redemption of Bonds as described herein in clauses (b), (f) and (g) under the heading “THE BONDS—Mandatory Redemption.” In addition, any amount remaining in the Project Account of the Bond Mortgage Loan Fund upon the earlier of (a) the Conversion Date and not required to pay Costs of the Project not yet due and payable or being contested in good faith, in each case determined in accordance with the Construction Phase Credit Documents, or (b) the Forward Commitment Maturity Date, will be transferred to the Redemption Fund and used to reimburse the Credit Facility Provider for the related redemption of Bonds as described herein under clause (e) under the heading “THE BONDS—Mandatory Redemption,” unless the Trustee receives an opinion of Bond Counsel (which also is required to be addressed to the Credit Facility Provider) to the effect that a use of such money for other than redemption of the Bonds will not adversely affect the tax-exempt status of the Bonds; provided, that if the Forward Commitment Maturity Date occurs prior to the Conversion Date and if the Trustee purchases the Bonds for the account of the Construction Phase Credit Facility Provider as described under “THE BONDS—Special Purchase In Lieu of Redemption” above, such transfer shall be made no later than three years after the Forward Commitment Maturity Date upon the request of the Construction Phase Credit Facility Provider; provided further, that any amounts in the Project Account of the Bond Mortgage Loan Fund in excess of the amount needed to reimburse the Credit Facility Provider for the related redemption of the Bonds will be transferred to the Rebate Fund.

In the case of amounts remaining in the Borrower Equity Account of the Bond Mortgage Loan Fund upon the earlier of (a) the Conversion Date and not required to pay Costs of the Project not yet due and payable or being contested in good faith, in each case determined in accordance with the Construction Phase Credit Documents; or (b) the Forward Commitment Maturity Date, and provided no default by the Borrower exists under the Indenture or any Bond Mortgage Loan Document (evidenced by an instrument signed by the Administration and the Credit Facility Provider), such amounts (excluding any proceeds of the Bonds) will be paid by the Trustee to the Borrower at the written direction of the Administration given at the direction of the Credit Facility Provider.

***Investment Income on Bond Mortgage Loan Fund.*** Amounts on deposit in the Bond Mortgage Loan Fund will be invested as provided in the Indenture. All Investment Income on amounts on deposit in the Bond Mortgage Loan Fund will be retained in and credited to and become a part of the amounts on deposit in the Bond Mortgage Loan Fund, and will constitute part of any transfers required by the Indenture and described under this heading.

### **Application of Revenues**

All Revenues are required to be deposited by the Trustee, promptly upon receipt thereof, to the General Account of the Revenue Fund, except (a) the proceeds of the Bonds received by the Trustee on the Delivery Date, which will be deposited to the Project Account and applied in accordance with the provisions of the Indenture; (b) amounts paid pursuant to the Credit Facility, which are to be deposited in the Credit Facility Account; (c) as otherwise specifically provided in the Indenture with respect to certain deposits into the Redemption Fund; (d) with respect to Investment Income to the extent required under the terms of the Indenture to be retained in the funds and accounts to which they are attributable; and (e) with respect to amounts required to be transferred between funds and accounts as provided in the Indenture.

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

FIRST: to the Bond Fund from money in the Credit Facility Account of the Revenue Fund, an amount equal to the principal of and interest due on the Bonds on such date (excluding principal of and interest on any Purchased Bonds and excluding the principal constituting a mandatory sinking fund payment on any Bonds on such date and, prior to the Conversion Date, taking into account amounts in the Project Account of the Bond Mortgage Loan Fund available to make such payments); and

SECOND: to the Redemption Fund from money in the Credit Facility Account of the Revenue Fund, an amount equal to the principal amount due and payable on the Bonds with respect to mandatory sinking fund redemption (excluding principal of any Purchased Bonds) on such date to be applied to such mandatory sinking fund redemption as described under “THE BONDS—Mandatory Sinking Fund Redemption” above; and

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

FOURTH: to the Purchased Bonds Account in the Bond Fund from money in the General Account, such amount as the Credit Facility Provider shall advise the Trustee is equal to the interest due on the Purchased Bonds on such date.

Promptly upon receipt, the Trustee is required to deposit directly to the Redemption Fund (a) Net Proceeds representing casualty insurance proceeds or condemnation awards paid as a prepayment of the Bond Mortgage Loan, such amount to be applied to reimburse the Credit Facility Provider for a draw under the Credit Facility in such amount to provide for extraordinary mandatory redemption of all or a portion of the Bonds pursuant to the Indenture; (b) Eligible Funds (other than draws under the Credit Facility) paid to the Trustee to be applied to the optional redemption of all or a portion of the Bonds pursuant to the Indenture; and (c) amounts transferred to the Redemption Fund from the Bond Mortgage Loan Fund pursuant to the Indenture.

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

At the written direction of the Borrower, and with the written consent of the Credit Facility Provider, the Administration and the Construction Phase Credit Facility Provider, together with a certificate setting forth that no default exists under the Bond Mortgage Loan Documents signed by the Servicer, Investment Income deposited into the General Account of the Revenue Fund will be paid to the Borrower semi-annually on each Interest Payment Date, commencing with the first Interest Payment Date after Conversion occurs so long as (a) there is no deficiency in the Credit Facility Reimbursement Fund, the Administration Fund, the Rebate Fund or any Custodial Escrow Account; (b) no default exists under the Bond Mortgage Loan; and (c) no event of default exists under any of the Bond Mortgage Loan Documents.

#### **Application of Bond Fund**

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

Any Investment Income on amounts on deposit in the Bond Fund is required to be deposited by the Trustee upon receipt thereof in the General Account of the Revenue Fund.

No amount will be charged against the Bond Fund except as expressly provided in the Indenture.

### **Application of Redemption Fund**

Any money credited to the Redemption Fund is required to be applied as described under the heading “THE BONDS—Application of Revenues;” provided, however, that to the extent any money credited to the Redemption Fund from Eligible Funds (other than draws under the Credit Facility) is in excess of the amount necessary to effect the redemptions as provided in the Indenture is required to be applied to make up any deficiency in the Bond Fund on any Interest Payment Date, to the extent money then available in accordance with the Indenture in the General Account of the Revenue Fund is insufficient to make up such deficiency; provided that no money to be used to effect a redemption for which a conditional notice of redemption, the conditions of which have been satisfied, or an unconditional notice of redemption has been provided or moneys which are held for payment of Bonds which are no longer Outstanding under the Indenture shall be so transferred to the Bond Fund.

On or before each Interest Payment Date, any Investment Income on amounts on deposit in the Redemption Fund will be credited by the Trustee to the General Account of the Revenue Fund.

No amount will be charged against the Redemption Fund except as expressly provided in the Indenture.

### **Administration Fund**

The Trustee will deposit into the Administration Fund, promptly upon receipt thereof, all amounts received from the Servicer, the Borrower, and prior to the Conversion Date, the Construction Phase Credit Facility Provider designated for deposit into such fund. Prior to the earlier of the Conversion Date or the payment in full of all Bonds Outstanding, amounts on deposit in the Administration Fund shall be applied on each Interest Payment Date as follows: first, to the payment of accrued fees that are included in the Bond Fee Component that are due and payable; second, to the payment of any fees due and payable to Freddie Mac under the Reimbursement Agreement; and third, to the Construction Phase Credit Facility Provider any fees due and payable under the Construction Phase Credit Reimbursement Agreement. Thereafter, amounts in the Administration Fund will be withdrawn or maintained, as appropriate, by the Trustee and used FIRST, to pay to the Trustee when due the Ordinary Trustee’s Fees and Expenses; SECOND, to pay to the Administration when due the Issuer Fee; THIRD, to pay when due the reasonable fees and expenses of a Rebate Analyst in connection with the computations relating to arbitrage rebate required under the Indenture and the Financing Agreement, upon receipt of an invoice from the Rebate Analyst; FOURTH, to deposit to any Custodial Escrow Account any deficiency in the amount held therein as certified in writing by the Servicer (or subsequent holder of such an account) to the Trustee; FIFTH, to pay to the Trustee any Extraordinary Trustee’s Fees and Expenses due and payable from time to time, as set forth in an invoice submitted to the Borrower and Freddie Mac; SIXTH, to pay to the Administration any extraordinary expenses it may incur in connection with the Bonds or the Indenture from time to time, as set forth in an invoice submitted to the Trustee and Freddie Mac; SEVENTH, to pay to the Credit Facility Provider any unpaid portion of the amounts due under the Reimbursement Agreement, as certified in writing by the Credit Facility Provider to the Trustee; EIGHTH, to pay to the Servicer any unpaid portion of the Ordinary Servicing Fees and Expenses and any Extraordinary Servicing Fees and Expenses due and owing from time to time, as set forth in an invoice submitted to the Trustee and Freddie Mac; NINTH, to make up any deficiency in the Redemption Fund on any redemption date of Bonds, to the extent money then available in accordance with the Indenture in the Redemption Fund is insufficient to redeem Bonds called for redemption on such redemption date; TENTH, to pay to the Dissemination Agent when due the Dissemination Agent’s Fee; ELEVENTH, to pay to the Rating Agency when due the annual rating maintenance fee, if any, as set forth in an invoice submitted to the Trustee; and TWELFTH, to transfer any remaining balance after application as aforesaid to the General Account of the Revenue Fund.



In the event that the amounts on deposit in the Administration Fund are less than the amounts payable from the Administration Fund as provided in the preceding paragraph on any date on which such amounts are due and payable, the Trustee is required to give notice to the Borrower of such deficiency and of the amount of such deficiency and request payment within two Business Days to the Trustee of the amount of such deficiency. Upon payment by the Borrower of such deficiency, the amount for which such deficiency was requested is required to be paid by the Trustee.

On or before each Interest Payment Date, any Investment Income on amounts on deposit in the Administration Fund not needed to pay the foregoing amounts is required to be credited by the Trustee to the General Account of the Revenue Fund.

No amount will be charged against the Administration Fund except as expressly provided in the Indenture.

### **Credit Facility Reimbursement Fund**

(a) The Trustee is required to deposit into the Credit Facility Interest Reimbursement Account of the Credit Facility Reimbursement Fund, promptly upon receipt thereof, all amounts received from the Servicer, including but not limited to scheduled monthly interest collections pursuant to the Reimbursement Agreement, and prior to the Conversion Date, all amounts received from the Borrower and the Construction Phase Credit Facility Provider, designated for deposit into such account. Amounts on deposit in the Credit Facility Interest Reimbursement Account are to be applied by the Trustee to reimburse the Credit Facility Provider for amounts drawn under the Credit Facility to pay interest on the Bonds. On each Interest Payment Date, the Trustee, without the need for any further direction, will pay to the Credit Facility Provider by no later than 2:30 p.m., Washington, D.C. time, from and to the extent of amounts on deposit in the Credit Facility Interest Reimbursement Account, an amount equal to the amount drawn by the Trustee under the Credit Facility to pay interest on the Bonds on such date.

(b) The Trustee is required to deposit into the Credit Facility Principal Reimbursement Account of the Credit Facility Reimbursement Fund, promptly upon receipt thereof, all amounts received from the Servicer designated for deposit into such account, including but not limited to scheduled monthly principal deposits pursuant to the Reimbursement Agreement, and, prior to the Conversion Date, all amounts received from the Borrower or the Construction Phase Credit Facility Provider designated for deposit into such account. Amounts on deposit in the Credit Facility Principal Reimbursement Account will be applied by the Trustee to reimburse the Credit Facility Provider for amounts drawn under the Credit Facility to pay principal on the Bonds. On each maturity date for the Bonds and each date the Bonds are subject to optional or mandatory redemption, the Trustee, without the need for any further direction, will pay to the Credit Facility Provider by no later than 2:30 p.m., Washington, D.C. time, from and to the extent of amounts on deposit in the Credit Facility Principal Reimbursement Account, an amount equal to the principal amount drawn by the Trustee under the Credit Facility to pay or redeem Bonds in Authorized Denominations on such date.

(c) In the event that the amounts on deposit in the respective accounts in the Credit Facility Reimbursement Fund are insufficient to reimburse the Credit Facility Provider (as described in the two preceding paragraphs) the full amount to be drawn under the Credit Facility to pay interest or principal on the Bonds, as applicable, the Trustee will promptly give notice to the Credit Facility Provider, the Servicer and the Borrower of such deficiency and of the amount of such deficiency.

(d) All Investment Income on amounts on deposit in the Credit Facility Reimbursement Fund will be retained in and credited to and become a part of the amounts on deposit in the respective accounts in such fund. Provided that (as confirmed by the Trustee with the Servicer or the Credit Facility Provider)

(i) there is no deficiency in the Credit Facility Reimbursement Fund, the Administration Fund, the Rebate Fund, or any Custodial Escrow Account; (ii) no default exists under the Bond Mortgage Loan; (iii) no Event of Default exists under the Indenture and no event of default exists under any of the other Borrower Documents (as defined in the Reimbursement Agreement); and (iv) the Credit Facility Provider has been fully reimbursed for amounts drawn on the Credit Facility, the Trustee, without the need for any further direction, will pay such Investment Income to the Borrower on the Interest Payment Date next succeeding receipt thereof (after making all payments specified under this heading).

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

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

(g) Any amounts remaining in the Credit Facility Reimbursement Fund after payment in full of the principal of and interest on the Bonds and reimbursement of the Credit Facility Provider for all amounts drawn under the Credit Facility will be applied as provided in the Indenture.

### **Investment of Funds**

The money held by the Trustee constitutes trust funds for the purposes of the Indenture. Any money attributable to each of the funds and accounts under the Indenture will be, except as otherwise expressly provided in the Indenture, invested by the Trustee, at the written direction of the Administration (or, in the case of the Rebate Fund, as otherwise provided in the Indenture), in Qualified Investments which mature or shall be subject to redemption or withdrawal at par without penalty on or prior to the earlier of (a) six months from the date of investment and (b) the date such money is needed; provided, that if the Trustee enters into any investment agreement requiring investment of money in any fund or account under the Indenture in accordance with such investment agreement and if such investment agreement constitutes a Qualified Investment, such money will be invested in accordance with such requirements; provided further, that all amounts on deposit in the Credit Facility Reimbursement Fund and the Credit Facility Account of the Revenue Fund will be held uninvested or will be invested only in Government Obligations or in Qualified Investments of the type described in clause (g) of the definition thereof which, in any case, will mature or be subject to redemption or withdrawal at par without penalty on or prior to the earlier of: (i) 30 days from the date of investment, or (ii) the date such money is required to be applied pursuant to the provisions of the Indenture. In the absence of written direction from the Administration, the Trustee will invest amounts on deposit in the funds and accounts established under the Indenture in Government Obligations or in investments of the type described in clause (g) of the definition of Qualified Investments which shall have the same maturity and other restrictions as set forth

above. Such investments may be made through the investment or securities department of the Trustee. The Trustee may purchase from or sell to itself or an affiliate, as principal or agent, securities authorized under the Indenture. The Trustee will be entitled to assume, absent receipt by the Trustee of written notice to the contrary, that any investment which at the time of purchase is a Qualified Investment remains a Qualified Investment thereafter.

Qualified Investments representing an investment of money attributable to any fund or account will be deemed at all times to be a part of said fund or account, and, except as otherwise may be provided expressly in Indenture, the interest thereon and any profit arising on the sale thereof will be credited to the General Account of the Revenue Fund, and any loss resulting on the sale thereof will be charged against the General Account of the Revenue Fund. Such investments are required to be sold at the best price obtainable (at least par) whenever it is necessary so to do in order to provide money to make any transfer, withdrawal, payment or disbursement from said fund or account. In the case of any required transfer of money to another such fund or account, such investments may be transferred to that fund or account in lieu of the required money if permitted as an investment of money in that fund or account. The Trustee will not be liable or responsible for any loss resulting from any investment made in accordance with the Indenture.

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

#### **Rebate Fund; Compliance With Tax Certificate**

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

Notwithstanding any provision of the Indenture to the contrary, the obligation to remit payment to the United States of America in accordance with any rebate requirements and to comply with all other requirements of the Financing Agreement and the Indenture, and the requirements of the Tax Certificate survive the defeasance or payment in full of the Bonds.

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

Notwithstanding the foregoing, the computations and payments of rebate pursuant to the Tax Certificate need not be made to the extent that neither the Administration nor the Borrower will thereby fail to comply with any requirements of Section 148(f) of the Code based on an opinion of Bond Counsel, to the effect that such failure will not adversely affect the exclusion from gross income for federal income

tax purposes of interest on the Bonds, a copy of which is required to be provided to the Trustee, at the expense of the Borrower.

### **Cost of Issuance Fund**

The Trustee is required to use money on deposit to the credit of the Cost of Issuance Fund to pay the costs of issuance on the Delivery Date or as soon as practicable thereafter in accordance with written instructions to be given to the Trustee by the Borrower, as set forth in the closing memorandum prepared by the underwriter for the Bonds (and accepted and agreed to by the Administration and the Borrower) on the Delivery Date or by Requisition, upon delivery to the Trustee of appropriate invoices for such expenses. Amounts in the Cost of Issuance Fund funded with proceeds of the Bonds, if any, is required to be expended prior to the application of the Costs of Issuance Deposit. Investment Income on amounts on deposit in the Cost of Issuance Fund will be retained in such fund. Amounts remaining on deposit in the Cost of Issuance Fund six months after the Delivery Date will be transferred at the written direction of the Administration to the Borrower Equity Account of the Bond Mortgage Loan Fund. Upon such final disbursement, the Trustee will close the Cost of Issuance Fund.

### **Payments Under Bond Mortgage Loan**

The Trustee and the Administration will expressly acknowledge that references in the Indenture to payments or prepayments of the Bond Mortgage Loan will, for all purposes of the Indenture, refer solely to such portion of such payments or prepayments actually paid by the Credit Facility Provider to the Trustee as Guaranteed Payments pursuant to the Credit Facility for which the Borrower has correspondingly reimbursed the Credit Facility Provider in an amount equal to the Guaranteed Payments. Without in any way limiting the foregoing, the Trustee and the Administration will acknowledge that, following the Conversion Date, pursuant to the Guide, the Servicer will pay the Freddie Mac Credit Enhancement Fee and the Ordinary Servicing Fees and Expenses from payments under the Bond Mortgage Loan made by the Borrower prior to remitting the balance of such payments or prepayments to the Trustee for application as provided in the Indenture.

### **Drawings Under Credit Facility**

The Credit Facility is required to be held by the Trustee and drawn upon in accordance with its terms and the provisions of the Indenture. Money derived from draws upon the Credit Facility will be (a) deposited in the Credit Facility Account of the Revenue Fund and applied by the Trustee to pay the principal (including redemption price) of and interest on the Bonds; (b) deposited in the Administration Fund and applied by the Trustee to pay the unpaid amount of the Issuer Fee, and, (c) in the event of a purchase of the Bonds in lieu of redemption pursuant to the Indenture, applied by the Trustee to pay, to the extent provided in the Credit Facility, the Purchase Price of the Bonds in accordance with the Indenture.

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

Interest Payment Dates, on the Maturity Date or upon the redemption or acceleration of the maturity of the Bonds).

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

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

The Trustee will send to the Borrower via facsimile or Electronic Notice a copy of any documents which are presented to the Credit Facility Provider in connection with a drawing on the Credit Facility concurrently with its submission of those documents to the Credit Facility Provider, if requested to do so by the Borrower.

### **Events of Default**

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

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

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

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

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

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

### **Acceleration; Other Remedies Upon Event of Default**

Upon the occurrence of an Event of Default described in clause (b) under the heading “—Events of Default” above, the Trustee will, upon the written request of the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding and receipt of indemnity satisfactory to it, by notice in writing delivered to the Administration, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and interest will continue to accrue thereon until such amounts are paid.

Upon the occurrence of an Event of Default (other than an Event of Default described in clause (b) under the heading “—Events of Default” above), the Trustee will, but only upon receipt from the Credit Facility Provider of a notice directing such acceleration (which notice may be given in the sole discretion of the Credit Facility Provider and only with the consent of the Construction Phase Credit Facility Provider), by notice in writing delivered to the Administration, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable and, upon the Credit Facility Provider having honored a properly presented and conforming draw under the Credit Facility to pay such amounts, interest on the Bonds will cease to accrue, anything contained in the Indenture or in the Bonds to the contrary notwithstanding.

The payment on the Bonds resulting from a declaration of acceleration on the Bonds as the result of an Event of Default described in clauses (a) or (c) under the heading “—Events of Default” above will be made from the Credit Facility.

If at any time after the Bonds are so declared due and payable, and before any judgment or decree for the payment of the money due is obtained or entered, the Administration, the Borrower, the Credit Facility Provider or the Construction Phase Credit Facility Provider, as applicable, is required to pay to or deposit with the Trustee a sum sufficient to pay all principal of the Bonds then due (other than solely by reason of such declaration) and all unpaid installments of interest (if any) upon all the Bonds then due, with interest at the rate borne by the Bonds on such overdue principal and (to the extent legally enforceable) on such overdue installments of interest, and the reasonable fees and expenses of the Trustee (including its counsel) are made good or cured or adequate provision is made therefor, and all outstanding amounts then due and unpaid under the Reimbursement Agreement (including, without limitation, with respect to the Credit Facility Provider all outstanding amounts owed to the Credit Facility Provider and all fees owed to the Credit Facility Provider) (collectively, the “Cure Amount”) are paid in full, and all other defaults under the Indenture are made good or cured or waived in writing by the Credit Facility Provider (or, if an Event of Default described in clause (b) under the heading “—Events of Default” above has occurred and is then continuing, by the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding), then and in every case, the Trustee on behalf of the Holders of all the Outstanding Bonds will rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default, nor will it impair or exhaust any right or power consequent thereon. Notwithstanding the foregoing provisions of this paragraph, in the event the Cure Amount is derived in whole or in part from a draw on the Credit Facility, any such rescission or annulment of such declaration of acceleration cannot occur without the written consent of the Credit Facility Provider. The right of the Construction Phase Credit Facility Provider to deposit sums with the Trustee as set forth above shall not be construed to mean that the Construction Phase Credit Facility Provider directly secures or otherwise enhances the Bonds or runs to the benefit of any party other than the Credit Facility Provider.

Upon the occurrence and during the continuance of an Event of Default, the Trustee in its own name and as trustee of an express trust, on behalf and for the benefit and protection of the Holders of all Bonds with respect to which such an Event of Default has occurred and of the Credit Facility Provider (if

no Event of Default described in clause (b) under the heading “—Events of Default” above has occurred and is continuing), may also proceed to protect and enforce any rights of the Trustee and, to the full extent that the Holders of such Bonds themselves might do, the rights of such Bondholders under the laws of the State or under the Indenture by such of the following remedies as the Trustee deems most effectual to protect and enforce such rights; provided that, so long as no Event of Default described in clause (b) under the heading “—Events of Default” above has occurred and is then continuing, the Trustee may undertake any such remedy only upon the receipt of the prior written consent of the Credit Facility Provider (which consent may be given in the sole discretion of the Credit Facility Provider) and the Construction Phase Credit Facility Provider:

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

(b) by pursuing any available remedies under the Financing Agreement, the Tax Regulatory Agreement, the Credit Facility or any other Bond Financing Document;

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

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

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

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

### **Rights of Bondholders**

If an Event of Default described in clause (b) under the heading “—Events of Default” above shall have occurred and is then continuing, and if requested in writing so to do by the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding with respect to which there is a default, and if indemnified to its satisfaction, the Trustee will exercise one or more of the rights and

powers conferred by the Indenture as the Trustee, being advised by counsel or a committee of Responsible Officers, deems to be in the best interest of the affected Bondholders. If an Event of Default described in clause (b) under the heading “—Events of Default” above occurs and is then continuing, the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding with respect to which an Event of Default has occurred will have the right at any time, subject to the provisions of the Indenture described under the heading “—Remedies of Bondholders” below, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture, in accordance with the provisions of law and of the Indenture.

### **Application of Money After Default**

All money (other than amounts drawn from the Credit Facility as described under the heading “Acceleration; Other Remedies Upon Event of Default” above) collected by the Trustee at any time pursuant to the provisions of the Indenture relating to Events of Default will, except to the extent, if any, otherwise directed by a court of competent jurisdiction, be credited by the Trustee to the General Account of the Revenue Fund. Such money so credited to the General Account of the Revenue Fund and all other money from time to time credited to the General Account of the Revenue Fund will at all times be held, transferred, withdrawn and applied as prescribed by the provisions of the Indenture.

In the event that at any time the money credited to the Revenue Fund, the Bond Fund and the Redemption Fund available for the payment of interest or principal then due with respect to the Bonds will be insufficient for such payment, such money (other than money held for the payment or redemption of particular Bonds as provided in the Indenture and amounts drawn from the Credit Facility as described under the heading “—Acceleration; Other Remedies Upon Event of Default” above) will be applied as follows and in the following order of priority:

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

(b) So long as no Event of Default described in clause (b) under the heading “Events of Default” above has occurred and is then continuing, first for the payment to the Credit Facility Provider of all amounts then due and unpaid under the Reimbursement Agreement (including with respect to Freddie Mac all Freddie Mac Credit Enhancement Fees and Freddie Mac Reimbursement Amounts) and second, prior to the Conversion Date, for the payment to the Construction Phase Credit Facility Provider of all amounts then due and unpaid under the Construction Phase Credit Reimbursement Agreement.

(c) Unless the principal of all Bonds becomes or is declared due and payable:

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

SECOND: to the payment to the Persons entitled thereto of the unpaid principal of and premium, if any (which payment of premium will not be restricted to Eligible Funds), on any Bonds which become due, whether at maturity or by call for redemption, in the order in which they became due and payable, and, if the amount available is not sufficient to pay in full all the principal of and premium, if any, on the Bonds so due on any date, then to the payment of principal ratably, according to the amounts due on such



date, to the Persons entitled thereto, without any discrimination or preference, and then to the payment of any premium due on the Bonds, ratably, according to the amounts due on such date, to the Persons entitled thereto, without any discrimination or preference.

(d) If the principal of all of the Bonds becomes or is declared due and payable, to the payment of the principal of, premium, if any (which payment of premium will not be restricted to Eligible Funds), and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due, respectively, for principal, premium (if any) and interest, to the Persons entitled thereto without any discrimination or preference except as to any differences in the respective rates of interest specified in the Bonds.

(e) If an Event of Default described in paragraph (b) of “Events of Default” above has occurred and is then continuing for the payment to the Credit Facility Provider of all amounts then due and unpaid under the Reimbursement Agreement to the date of such Event of Default.

### **Rights of the Credit Facility Provider**

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

### **Remedies of Bondholders**

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

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

### **Waivers of Events of Default**

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

### **Supplemental Indentures Not Requiring Consent of Bondholders**

The Administration and the Trustee may from time to time and at any time, without the consent of, or notice to, any of the Bondholders, but with the prior written consent of the Credit Facility Provider and the Construction Phase Credit Facility Provider, enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

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

(b) to grant to or confer upon the Trustee for the benefit of the Holders of the Bonds any additional rights, remedies, powers or authority that may lawfully be granted or conferred and that are not

contrary to or inconsistent with the Indenture or the rights of the Trustee under the Indenture as theretofore in effect;

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

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

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

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

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

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

#### **Supplemental Indentures Requiring Consent of Bondholders**

With the prior written consent of the Credit Facility Provider and the Construction Phase Credit Facility Provider, the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding will have the right, from time to time, to consent to and approve the execution by the Administration and the Trustee of such indenture or indentures supplemental to the Indenture as deemed necessary and desirable by the Administration for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing in this paragraph contained will permit, or be construed as permitting, under the Indenture (a) an extension of the time for payment of, or an extension of the stated maturity or reduction in the principal amount or reduction in the rate of interest on or extension of the time of payment, of interest on, or reduction of any premium (if any) payable on the redemption of, any Bonds, or a reduction in the Borrower's obligation on the Bond Mortgage Note, without the consent of the Holders of all of the Bonds then Outstanding; (b) the creation of any lien prior to or on a parity with the lien of the Indenture (c) a reduction in the aforesaid percentage of the principal amount of Bonds which is required in connection with the giving of consent to any such supplemental indenture, without the consent of the Holders of all of the Bonds then Outstanding; (d) the modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee; (e) a privilege or priority of any Bond over any other Bonds; or (f) any action that results in the interest on the Bonds becoming included in gross income for federal income tax purposes.

If at any time the Administration requests the Trustee to enter into any such supplemental indenture for any of the purposes described under this heading Trustee will, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed, postage prepaid, to all registered Bondholders and to the Credit Facility Provider

and the Construction Phase Credit Facility Provider. Such notice will briefly set forth the nature of the proposed supplemental indenture and will state that copies thereof are on file at the corporate trust office of the Trustee for inspection by all Bondholders.

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

Anything in the Indenture to the contrary notwithstanding, unless the Borrower is then in default of any of its obligations under the Financing Agreement, the Reimbursement Agreement, the Tax Regulatory Agreement, the Bond Mortgage Note, the Bond Mortgage or the Reimbursement Mortgage, a supplemental indenture under the Indenture which affects any rights of the Borrower will not become effective unless and until the Borrower has expressly consented in writing to the execution and delivery of such supplemental indenture. In this regard, the Trustee will cause notice of the proposed execution and delivery of any such supplemental indenture to be mailed by certified or registered mail to the Borrower or the Borrower's attorney at least fifteen (15) days prior to the proposed date of execution and delivery of any supplemental indenture.

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

#### **Amendments to Financing Agreement Not Requiring Consent of Bondholders**

The Trustee will, without the consent of, or notice to, the Bondholders, but with the consent of the Borrower, the Credit Facility Provider and the Construction Phase Credit Facility Provider, consent to any amendment, change or modification of the Financing Agreement as follows:

- (a) as may be required by the provisions of the Credit Facility, the Financing Agreement or the Indenture;
- (b) to cure any formal defect, omission, inconsistency or ambiguity in the Financing Agreement in a manner not materially adverse to the Holder of any Bond to be Outstanding after the effective date of the change;
- (c) to make such additions, deletions or modifications as may be necessary, in the opinion of Bond Counsel delivered to the Administration, the Trustee and the Credit Facility Provider, to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds;

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

(e) to modify, amend or supplement the Financing Agreement in any other respect which is not materially adverse to the Trustee or Holders of the Bonds to be Outstanding after the effective date of the change and which does not involve a change described under the heading “—Amendments to Financing Agreement Requiring Consent of Bondholders” below.

### **Amendments to Financing Agreement Requiring Consent of Bondholders**

Except for the amendments, changes or modifications of the Financing Agreement described under the heading, “Amendments to Financing Agreement Not Requiring Consent of Bondholders”, neither the Administration nor the Trustee will consent to any other amendment, change or modification of the Financing Agreement without the consent of the Credit Facility Provider, the Construction Phase Credit Facility Provider and the Borrower and without the giving of notice and the written approval or consent of the Holders of at least 51% of the aggregate principal amount of the Bonds then Outstanding given and procured in accordance with the procedure described under the heading “Supplemental Indentures Requiring Consent of Bondholders” above; provided, however, that nothing described under this heading will permit, or be construed as permitting, any amendment, change or modification of the Borrower’s obligation to make the payments required under the Financing Agreement without the consent of the Holders of all of the Bonds then Outstanding. If at any time the Administration and the Borrower request the consent of the Trustee to any such proposed amendment, change or modification of the Financing Agreement, the Trustee will cause notice of such proposed amendment, change or modification to be given in the same manner as described under the heading, “Supplemental Indentures Requiring Consent of Bondholders.” Such notice will briefly set forth the nature of such proposed amendment, change or modification and will state that copies of the instrument embodying the same are on file at the Principal Office of the Trustee for inspection by Bondholders.

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

The Trustee may, without the consent of, or notice to, any of the Bondholders enter into any amendment, change or modification of the Credit Facility (a) as may be required by the provisions of the Credit Facility; (b) to cure any formal defect, omission, inconsistency or ambiguity in the Credit Facility; (c) in a manner which is not prejudicial to the interests of the Bondholders as determined by the Trustee being advised by counsel, a committee of Responsible Officers or by a written confirmation from the Rating Agency of the then existing rating on the Bonds; or (d) as required by the Rating Agency to maintain the then current rating on the Bonds.

### **Opinion of Bond Counsel Required**

No supplement or amendment to the Financing Agreement or the Indenture, as described in the Indenture, will be effective until the Administration, the Trustee and the Credit Facility Provider have received an opinion of Bond Counsel to the effect that such supplement or amendment is authorized or permitted by the Indenture and, upon execution and delivery thereof, will be valid and binding upon the Administration in accordance with its terms and will not cause interest on the Bonds to be includable in gross income of the Holders thereof for federal income tax purposes. The Trustee will be entitled to receive, and will be fully protected in relying upon, the opinion of any counsel approved by it as conclusive evidence that (a) any proposed supplemental indenture or amendment permitted by the Indenture complies with the provisions of the Indenture; (b) it is proper for the Trustee to join in the

execution of that supplemental indenture or amendment under the provisions of the Indenture; and (c) if applicable, such proposed supplemental indenture or amendment is not materially adverse to the interests of the Bondholders.

### **Concerning the Trustee**

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

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

(a) prior to an Event of Default under the Indenture, and after the curing or waiver of all such Events of Default which may have occurred:

(i) the duties and obligations of the Trustee will be determined solely by the express provisions of the Indenture, and the Trustee will not be liable except for the performance of such duties and obligations as are specifically set forth in the Indenture; and

(ii) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee by the Person or Persons authorized to furnish the same;

(b) at all times, regardless of whether or not any such Event of Default exists:

(i) the Trustee will not be liable for any error of judgment made in good faith by an officer or employee of the Trustee except for willful misconduct or negligence by the officer or employee of the Trustee as the case may be; and

(ii) the Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Credit Facility Provider or the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding (or such lesser or greater percentage as is specifically required or permitted by the Indenture) relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

The Trustee will be under no obligation to exercise those rights or powers vested in it by the Indenture, other than such rights and powers which it will be obligated to exercise in the ordinary course of its trusteeship under the terms and provisions of the Indenture and as required by law, at the request or direction of any of the Bondholders pursuant to the Indenture, unless such Bondholders have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in the compliance with such request or direction.

The Trustee may at any time resign from the trusts created under the Indenture by giving written notice to the Administration, the Borrower, the Credit Facility Provider and the Construction Phase Credit Facility Provider and by giving notice by certified mail or overnight delivery service to each Holder of the Bonds then Outstanding. Such notice to the Administration, the Borrower, the Credit Facility Provider and the Construction Phase Credit Facility Provider may be served personally or sent by certified mail or overnight delivery service. The Trustee's resignation will not be effective until a successor Trustee has been appointed as provided in the Indenture and such successor Trustee has agreed in writing to be bound by the duties and obligations of the Trustee under the Indenture and under the Intercreditor Agreement.

The Trustee may be removed at any time, either with or without cause, with the consent of the Credit Facility Provider (which consent of the Credit Facility Provider will not be unreasonably withheld) and the Construction Phase Credit Facility Provider (which consent of the Construction Phase Credit Facility Provider shall not be unreasonably withheld), by a written instrument signed by the Administration and delivered to the Trustee and the Borrower, and if an Event of Default has occurred and is continuing, other than any Event of Default described in clause (b) under the heading “—Events of Default” above, by a written instrument signed by the Credit Facility Provider and delivered to the Trustee, the Administration, the Borrower and the Construction Phase Credit Facility Provider. The Trustee may also be removed, if an Event of Default described in clause (b) under the heading “—Events of Default” above has occurred and be continuing, by a written instrument or concurrent instruments signed by the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding and delivered to the Trustee, the Administration, the Borrower, the Credit Facility Provider and the Construction Phase Credit Facility Provider. The Trustee may also be removed by the Credit Facility Provider following notice to the Administration and after a 30 day period during which the Administration may attempt to cause the Trustee to discharge its duties in a manner acceptable to Credit Facility Provider, and in each case written notice of such removal will be given to the Servicer, the Borrower and to each registered Owner of Bonds then Outstanding as shown on the Bond Registrar. Any such removal will take effect on the day specified in such written instrument(s), but the Trustee will not be discharged from the trusts created under the Indenture until a successor Trustee has been appointed and has accepted such appointment and has agreed in writing to be bound by the duties and obligations of the Trustee under the Indenture and under the Intercreditor Agreement.

### **Appointment of Successor Trustee**

(a) In case at any time the Trustee resigns or is removed, or be dissolved, or is in course of dissolution or liquidation, or otherwise become incapable of acting under the Indenture, or is adjudged a bankrupt or insolvent, or if a receiver of the Trustee or of its property has been appointed, or if a public supervisory office takes charge or control of the Trustee or of its property or affairs, a vacancy will forthwith and ipso facto be created in the office of such Trustee under the Indenture, and the Administration, with the written consent of the Credit Facility Provider and the Construction Phase Credit Facility Provider, will promptly appoint a successor Trustee. Any such appointment will be made by a written instrument executed by an Authorized Officer of the Administration.

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

## **Concerning any Successor Trustee**

Every successor Trustee appointed under the Indenture will execute, acknowledge and deliver to its predecessor and also to the Administration a written instrument accepting such appointment under the Indenture, accepting assignment of the beneficial interest in the Bond Mortgage, and thereupon such successor, without any further act, deed or conveyance, will become fully vested with all the Trust Estate and the rights, powers, trusts, duties and obligations of its predecessor; but such predecessor will, nevertheless, on the written request of the Administration, the Borrower or the Credit Facility Provider, or of its successor, and upon payment of all amounts due such predecessor, including but not limited to fees and expenses of counsel, execute and deliver such instruments as may be appropriate to transfer to such successor Trustee all the Trust Estate and the rights, powers and trusts of such predecessor under the Indenture; and every predecessor Trustee will deliver all securities, including, but not limited to, the existing Credit Facility, and money held by it as Trustee under the Indenture to its successor. Should any instrument in writing from the Administration be required by a successor Trustee for more fully and certainly vesting in such successor the Trust Estate and all rights, powers and duties vested by the Indenture or intended to be vested in the predecessor, any and all such instruments in writing will, on request, be executed, acknowledged and delivered by the Administration. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor under the Indenture, together with all other instruments provided for in the Indenture, will be filed and/or recorded by the successor Trustee in each recording office where the Indenture has been filed and/or recorded. Each successor Trustee will mail notice by first-class mail, postage prepaid, at least once within 30 days of such appointment, to the Owners of all Bonds Outstanding at their addresses on the Bond Register.

## **Discharge of Lien**

If the Administration has paid or causes to be paid to the Holders of the Bonds the principal, interest and premium, if any, to become due thereon at the times and in the manner stipulated in the Bonds and the Indenture, in any one or more of the following ways:

- (a) by the payment of the principal of (including redemption premium, if any) and interest on all Bonds Outstanding; or
- (b) by the deposit or credit to the account of the Trustee, in trust, of money or securities in the necessary amount (as described under the heading “Payment of Bonds After Discharge of Indenture” below) to pay the principal, redemption price and interest to the date established for redemption whether by redemption or otherwise; or
- (c) by the delivery to the Trustee, for cancellation by it, of all Bonds Outstanding;

and has paid all amounts due and owing to the Credit Facility Provider under the Indenture and under the Credit Facility and the Reimbursement Agreement, including but not limited to the Freddie Mac Reimbursement Amount and the Freddie Mac Credit Enhancement Fee, and has paid all fees and expenses of and any other amounts due to the Trustee, the Servicer, the Dissemination Agent, the Rebate Analyst, the Construction Phase Credit Facility Provider and the Paying Agent, and if the Administration keeps, performs and observes all and singular the covenants and promises in the Bonds and in the Indenture expressed as to be kept, performed and observed by it or on its part, then the presents and the estates and rights granted by the Indenture shall cease, determine and be void, and thereupon the Trustee will cancel and discharge the lien of the Indenture and execute and deliver to the Administration such instruments in writing as will be requisite to satisfy the lien thereof, and reconvey to the Administration the estate conveyed by the Indenture, and assign and deliver to the Administration any interest in property at the time subject to the lien of the Indenture which may then be in its possession, except amounts held



by the Trustee for the payment of principal of, interest and premium, if any, on the Bonds, the payment of any amounts owed to the United States of America pursuant to the Indenture or the payment of any amounts payable to the Credit Facility Provider and the Construction Phase Credit Facility Provider.

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

The Trustee will in no event cause the Bonds to be optionally redeemed from money deposited pursuant to the provisions of the Indenture described herein unless the requirements of the Indenture have been met with respect to such redemption, including the requirements described under the heading "THE BONDS—Optional Redemption" herein.

#### **Construction Phase Credit Facility Provider**

If prior to the Conversion Date, the Bonds have been defeased as described above, and the Trustee receives a written statement from the Construction Phase Credit Facility Provider stating that money is owed to the Construction Phase Credit Facility Provider on account of the Bonds and/or the Bond Mortgage Loan, whether with respect to the Construction Phase Credit Facility, any other Construction Phase Credit Document or otherwise in connection with the Bonds or the Bond Mortgage Loan, the Trustee is required, upon receipt of written notification from Credit Facility Provider that all amounts due and owing to the Credit Facility Provider under the Reimbursement Agreement and the Reimbursement Mortgage have been paid in full, prior to cancellation and discharge of the Indenture and prior to any reconveyance, assignment and delivery to the Borrower of the Trust Estate or any part of it, to pay over, assign and deliver to the Construction Phase Credit Facility Provider so much of (and not to exceed) the Trust Estate as shall be necessary to fully pay, satisfy and discharge all amounts due and owing to the Construction Phase Credit Facility Provider in respect of the Bonds and the Bond Mortgage Loan, whether with respect to the Construction Phase Credit Facility Documents or otherwise in connection with the Bonds or the Bond Mortgage Loan, as determined by the Construction Phase Credit Facility Provider, in its sole and absolute discretion.

#### **Discharge of Liability on Bonds**

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as described above) to pay or redeem Outstanding Bonds (whether upon or prior to their maturity or the redemption date of such Bonds); provided that, if such Bonds are to be redeemed

prior to the maturity thereof, notice of such redemption has been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, all liability of the Administration in respect of such Bonds will cease, terminate and be completely discharged, except only that thereafter the holders thereof will be entitled to payment by the Administration, and the Administration will remain liable for such payment, but only out of the money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture described in the paragraph below.

#### **Payment of Bonds After Discharge of Indenture**

Notwithstanding any provisions of the Indenture, and subject to applicable unclaimed property laws of the State, any money deposited with the Trustee or any paying agent in trust for the payment of the principal of, interest or premium (if any) on the Bonds remaining unclaimed for three years after the payment thereof shall be reported and disposed of by the Trustee in accordance with the provisions of Title 17 of the Commercial Law Article of the Annotated Code of Maryland, as amended, or any successor statute thereto and the applicable unclaimed property laws, whereupon all liability of the Administration and the Trustee with respect to such money will cease and the holders of the Bonds will look solely to the Borrower for payment of any amounts then due. All money held by the Trustee and subject to this paragraph shall be held uninvested and without liability for interest thereon.

#### **Deposit of Money or Securities With Trustee**

Whenever in the Indenture it is provided or permitted that there be deposited with or credited to the account of or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held is required to be Eligible Funds (or Government Obligations purchased with Eligible Funds) consisting of:

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

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

#### **SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT**

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

### **Terms of the Bond Mortgage Loan; Servicing**

The Bond Mortgage Loan will (a) be evidenced by the Bond Mortgage Note; (b) be initially secured by the Credit Facility and the Bond Mortgage; (c) be in the principal amount equal to the principal amount of the Bonds; (d) bear interest as provided in the Bond Mortgage Note; (e) provide for principal and interest payments in accordance with the Bond Mortgage Note; and (f) be subject to optional and mandatory prepayment at the times, in the manner and on the terms, and have such other terms and provisions, as provided in the Financing Agreement and in the Bond Mortgage Note.

From and after the Conversion Date, the Servicer is required to service the Bond Mortgage Loan pursuant to the Commitment and the Guide. The Administration, the Trustee and the Borrower acknowledge and agree in the Financing Agreement that (a) selection or removal of any Servicer is in the sole and absolute discretion of the Credit Facility Provider; (b) neither the Administration nor the Trustee will terminate or attempt to terminate any Servicer as the servicer for the Bond Mortgage Loan or appoint or attempt to appoint a substitute servicer for the Bond Mortgage Loan; (c) the Commitment and the Guide are each subject to amendment without the consent of the Trustee, the Administration or the Borrower; and (d) none of the Trustee, the Administration or the Borrower will have any rights under, or be a third party beneficiary of, the Commitment or the Guide. The Servicer will have the right to collect all payments made by the Borrower in connection with the Bond Mortgage Loan (from and after the Conversion Date) and to receive copies of all reports and notices provided for by the Bond Financing Documents.

### **Payments Under the Bond Mortgage Note; Independent Obligation of Borrower**

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

The Borrower will acknowledge and agree that the Servicer, from and after the Conversion Date, may collect monthly payments from the Borrower with respect to the Bond Mortgage Loan in accordance with the Reimbursement Agreement, but such payments will not be credited against the principal or interest due with respect to the Bond Mortgage Loan or the Bond Mortgage Note until and only to the extent such amounts are used to reimburse the Credit Facility Provider for amounts paid under the Credit Facility to pay principal of or interest on the Bonds.

The obligations of the Borrower to repay the Bond Mortgage Loan, to perform all of its obligations under the Bond Mortgage Loan Documents, to provide indemnification pursuant the Financing Agreement, to pay costs, expenses and charges pursuant to the Financing Agreement and to

make any and all other payments required by the Financing Agreement, the Indenture or any other documents contemplated by the Financing Agreement or by the Bond Mortgage Loan Documents will, subject to the limitations set forth in the Financing Agreement, be absolute and unconditional and will not be subject to diminution by setoff, recoupment, counterclaim, abatement or otherwise.

Notwithstanding anything contained in any other provision of the Financing Agreement to the contrary (but subject to the provisions of the Indenture and the Intercreditor Agreement), the following obligations of the Borrower will be and remain the joint and several full recourse obligations of the Borrower and the Borrower's managing member, payable from and enforceable against any and all income, assets and properties of the Borrower: (i) the Borrower's obligations to the Administration and the Trustee for payment of fees and expenses under the Financing Agreement; (ii) the Borrower's tax covenant and indemnity obligations under the Financing Agreement; (iii) the Borrower's obligation to pay any and all rebate amounts that may be or become owing with respect to the Bonds and fees and expenses of the Rebate Analyst as provided in the Financing Agreement and the Tax Certificate; and (iv) the Borrower's obligation to pay legal fees and such expenses under the Financing Agreement.

#### **Payment of Certain Fees and Expenses Under the Bond Mortgage Note**

In addition to the payments set forth in the Financing Agreement, payments to be made by the Borrower under the Bond Mortgage Note include certain money to be paid in respect of, among others, the Bond Fee Component, the Ordinary Servicing Fees and Expenses, the Freddie Mac Credit Enhancement Fee, any annual rating maintenance fees of the Rating Agency and amounts required to be deposited in any Custodial Escrow Account pursuant to the Bond Mortgage Loan Documents, as set forth in the Financing Agreement. To the extent that any portion of the Bond Fee Component, the Ordinary Servicing Fees and Expenses, the Freddie Mac Credit Enhancement Fee, any annual rating maintenance fees of the Rating Agency and amounts required to be deposited in a Custodial Escrow Account remain due and owing at any time, such amounts remaining due and owing will be payable from money on deposit in the Administration Fund as described under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Administration Fund" and in the Indenture, or from other money of the Borrower, to the extent that money in the Administration Fund is insufficient for such purposes. All other fees and expenses will be payable from money of the Borrower as provided in the Financing Agreement.

#### **Prepayment of the Bond Mortgage Loan**

The Borrower will have the option to prepay the Bond Mortgage Loan in full or in part prior to the payment and discharge of all the outstanding Bonds in accordance with the provisions of the Indenture, the Financing Agreement and the Bond Mortgage Note, and only with the prior written consent of the Credit Facility Provider and the Administration and the payment of any amount due as described in the next succeeding paragraph. The Borrower will be required to prepay the Bond Mortgage Loan in each case that Bonds are required to be redeemed in accordance with the terms and conditions set forth in the Indenture.

The Bonds are subject to redemption in accordance with the terms and conditions set forth in the Indenture. In connection with any prepayment, whether optional or mandatory, in addition to all other payments required under the Bond Mortgage Note, the Borrower is to pay, or cause to be paid to the Servicer (from and after the Conversion Date) or other party as directed by the Credit Facility Provider (or, if no Credit Facility is then in effect, to the Trustee), an amount sufficient to pay the redemption price of the Bonds to be redeemed, including principal, interest and premium (if any), and further including any interest to accrue with respect to the Bond Mortgage Loan and such Bonds between the prepayment date and the redemption date, together with a sum sufficient to pay all fees, costs and expenses in connection

with such redemption and, in the case of redemption in whole, to pay all other amounts payable under the Financing Agreement, the Indenture and the Reimbursement Agreement. The Borrower will provide notice of the prepayment to the Administration, the Trustee, the Credit Facility Provider, the Servicer and the Construction Phase Credit Facility Provider in writing forty-five (45) days, or such shorter time as is possible in the case of mandatory prepayments, prior to the date on which the Borrower will make the prepayment. Each such notice is required to state, to the extent such information is available, (a) the amount to be prepaid, (b) the date on which the prepayment will be made by the Borrower, and (c) the cause for the prepayment, if any.

### **Borrower's Obligations Upon Redemption**

In the event of any redemption, the Borrower will timely pay, or cause to be paid through the Servicer, to the Trustee an amount equal to the principal amount of such Bonds or portions thereof called for redemption, together with interest accrued to the redemption date and premium, if any. In addition, the Borrower will timely pay all fees, costs and expenses associated with any redemption of Bonds.

### **Credit Facility Reimbursement Fund**

Under the Reimbursement Agreement, the Borrower may be required to make monthly interest payments and principal deposits to the Servicer for remittance to the Trustee for deposit into the Credit Facility Reimbursement Fund. Amounts on deposit in the Credit Facility Reimbursement Fund will be held solely for the benefit of the Credit Facility Provider and will be applied as provided in the Indenture.

Amounts on deposit in the Credit Facility Reimbursement Fund will not be credited against the principal amount of the Bond Mortgage Note or be deemed to be interest payments on the Bond Mortgage Loan until the date such amounts are withdrawn from the Credit Facility Reimbursement Fund and used to reimburse the Credit Facility Provider for amounts paid under the Credit Facility to redeem or otherwise pay principal of or interest on the Bonds.

### **Events of Default**

The following are "Events of Default" under the Financing Agreement and the term "Event of Default" means, whenever it is used in the Financing Agreement, one or all of the following events:

(a) Any representation or warranty made by the Borrower in the Bond Financing Documents or any certificate, statement, data or information furnished by the Borrower in connection therewith or included by the Borrower in its application to the Administration for assistance proves at any time to have been incorrect when made in any material respect;

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

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

(d) The occurrence of a default under the Reimbursement Agreement will at the discretion of the Credit Facility Provider constitute an Event of Default under the Financing Agreement but only if the Trustee is provided written notice by the Credit Facility Provider that an Event of Default has occurred under the Reimbursement Agreement and the Trustee is instructed by the Credit Facility Provider that such default constitutes an Event of Default under the Financing Agreement. The occurrence of an Event of Default under the Financing Agreement will in the discretion of the Credit Facility Provider constitute a default under the Bond Mortgage Loan Documents and the Reimbursement Agreement.

Nothing described under this heading is intended to amend or modify any of the provisions of the Bond Financing Documents or to bind the Administration, the Trustee, the Credit Facility Provider, the Construction Phase Credit Facility Provider or the Servicer to any notice and cure periods other than as expressly set forth in the Bond Financing Documents.

### **Remedies on Default**

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

(a) The Administration will cooperate with the Trustee as the Trustee acts pursuant to the Indenture.

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

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

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

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

The provisions described under this heading are subject to the further limitation that if, after any Event of Default under the Financing Agreement all amounts which then would be payable under the Financing Agreement by the Borrower if such Event of Default had not occurred and was not continuing have been paid by or on behalf of the Borrower, and the Borrower has also performed all other obligations in respect of which it is then in default under the Financing Agreement, and has paid the reasonable charges and expenses of the Administration, the Trustee, the Servicer, and the Credit Facility Provider, including reasonable attorneys' fees paid or incurred in connection with such default, and has paid all amounts then due to the Credit Facility Provider, including, but not limited to, any Freddie Mac Reimbursement Amounts and Freddie Mac Credit Enhancement Fees, and if there is then no Event of Default existing under the Indenture, then and in every such case such Event of Default under the

Financing Agreement will be waived and annulled, but no such waiver or annulment will affect any subsequent or other Event of Default or impair any right consequent thereon.

### **Rights of the Credit Facility Provider**

Notwithstanding anything to the contrary contained in the Financing Agreement and pursuant to the Intercreditor Agreement, as long as Freddie Mac is not in default of its obligations under the Credit Enhancement Agreement to honor draws made in accordance therewith, neither the Administration, the Trustee nor any other person, upon the occurrence of an event of default under any Bond Financing Document, is to take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Bond Mortgage Loan, except at the written direction of Freddie Mac; provided that such prohibition will not be construed to limit the rights of the Administration or the Trustee to specifically enforce the Tax Regulatory Agreement to provide for the operation of the Project in accordance with the Code and the laws of the State, including the Act, or to enforce other Unassigned Rights or reserved rights of the Trustee; and provided further that such prohibition will not be construed to limit the indemnification rights of the Administration, the Trustee, the Servicer, Freddie Mac or any other indemnified party to enforce its rights against the Borrower under the Financing Agreement or the Reimbursement Agreement by mandamus or other suit, action or proceeding at law or in equity where such suit, action or proceeding does not seek any remedies under or with respect to the Bond Mortgage or cause acceleration of the Bond Mortgage Loan.

### **Right of Stratford Capital Group to Cure Events of Default**

Under the Financing Agreement, the Stratford Capital Group, or an affiliate thereof, as tax credit investor, has the right but not the obligation to cure any Event of Default thereunder subject to the same terms and conditions afforded to the Borrower thereunder and any such cure must be accepted as if offered by the Borrower.

## **SUMMARY OF CERTAIN PROVISIONS OF THE INTERCREDITOR AGREEMENT**

The Administration, the Trustee, the Construction Phase Credit Facility Provider and Freddie Mac will agree pursuant to the Intercreditor Agreement upon their respective rights arising from an Event of Default under the Bond Financing Documents in the Intercreditor Agreement. The following is a brief summary of certain provisions of the Intercreditor Agreement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Intercreditor Agreement, a copy of which is on file with the Trustee.

Under the terms of the Intercreditor Agreement, the Administration, the Trustee, the Construction Phase Credit Facility Provider and Freddie Mac will agree, among other things, that until either (a) Freddie Mac fails to honor a draw properly presented in accordance with the terms of the Credit Enhancement Agreement (a "Wrongful Dishonor"); or (b) the Credit Enhancement Agreement terminates in accordance with its terms and all of the Borrower's obligations to Freddie Mac under the Reimbursement Agreement shall have been paid in full, certain of the rights and remedies of the Administration, the Trustee, the Construction Phase Credit Facility Provider and Freddie Mac under the Bond Financing Documents, including, without limitation, the rights and remedies of the Trustee as mortgagee under the Bond Mortgage, may (except for the exercise of remedies to preserve the tax-exempt status of the Bonds or to enforce the Continuing Disclosure Agreement and the Trustee's right to seek payment of certain fees due under the Financing Agreement) be exercised only with the consent or at the direction of Freddie Mac, in its sole discretion (subject to the following paragraph), including, without limitation, the right to waive certain terms and conditions of the Bond Financing Documents pertaining to the Borrower.

In connection with delivery of the Credit Enhancement Agreement, Freddie Mac and the Construction Phase Credit Facility Provider have agreed in the Construction Phase Financing Agreement to certain conditions to the exercise by Freddie Mac of its remedies pursuant to the Reimbursement Mortgage. The Construction Phase Credit Facility Provider and Freddie Mac agree that before the Conversion Date and provided that the Construction Phase Credit Facility Provider has honored its obligations under the Construction Phase Credit Facility, any provision requiring the consent of Freddie Mac or direction by Freddie Mac to the Trustee shall also require the consent or direction, as applicable, of the Construction Phase Credit Facility Provider.

## **SUMMARY OF CERTAIN PROVISIONS OF THE TAX REGULATORY AGREEMENT**

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

### **Definitions**

Unless otherwise expressly provided in the Tax Regulatory Agreement or unless the context clearly requires otherwise, capitalized terms not defined in the Tax Regulatory Agreement shall bear the meaning given them in the Indenture.

The following terms have the meanings provided below:

“*AMGI*” means the area median gross income for the area in which the Project is located, as determined from time to time by the Secretary of the United States Department of Housing and Urban Development (“HUD”) in a manner consistent with determinations of lower income families and area median gross income under Section 8 of the United States Housing Act of 1937, as amended (or if such program is terminated, under such program as in effect immediately before such termination). In no event shall any determination of AMGI be less than such determination of AMGI for the preceding calendar year.

“*Annual Income*” means annual income as defined by HUD at 24 CFR §5.609, as amended.

“*Dwelling Units*” or “*Units*” means any accommodation or unit in the Project containing separate and complete facilities for living, sleeping, eating, cooking and sanitation for a single person or a family. Such accommodations may be served by centrally located equipment, such as air conditioning or heating. As an example, an apartment containing a living area, a sleeping area, bathing and sanitation facilities, and cooking facilities equipped with a cooking range, refrigerator and sink, would constitute a Unit. Each Unit shall be “similarly constructed” (within the meaning of Treasury Regulation Section 1.103-8(b)(4), as amended) to all other Units in the Project. An accommodation shall not fail to be treated as a Unit merely because such accommodation is a single-room occupancy Unit (within the meaning of Section 42 of the Code).

“*Lower Income Tenant Occupancy Requirement*” means the requirement of the Code that 40% of the residential rental units in the Project be occupied by Lower-Income Tenants as provided in the Tax Regulatory Agreement.

“*Lower-Income Tenants*” means individuals whose income is 60% or less of AMGI, as adjusted for family size. Except as otherwise provided Tax Regulatory Agreement, occupants of a Dwelling Unit shall not be considered to be Lower-Income Tenants if all the occupants are students (as defined in Section 152(f)(2) of the Code), no one of whom is entitled to file a joint federal income tax return.



Notwithstanding the foregoing, a tenant is not disqualified as a Lower-Income Tenant merely because he/she is (a) a student receiving assistance under Title IV of the Social Security Act; (b) enrolled in a government supported job training program; (c) a full-time student who is a single parent and is living with his/her children, provided that neither such full time student nor any of his/her children occupying the unit are dependents of any person other than the full-time student occupying the unit; (d) a full-time student who is married and files a joint return; or (e) a student who was previously under the care and placement responsibility of a foster care program (under part B or Part E of the Title IV of the Social Security Act).

“*Qualified Project Period*” has the meaning used in Section 142(d)(2)(A) of the Code and generally means the period beginning on the first date (on or after the closing date of the Loan) on which 10% of the residential units in the Project are occupied and ending on the latest of the following dates: (a) the date which is 15 years after the first date (on or after the closing date of the Loan) on which 50% of the residential units in the Project are occupied; (b) the first date (on or after the closing date of the Loan) on which no tax-exempt private activity bond issued with respect to the Project is outstanding; or (c) the first date (on or after the closing date of the Loan) on which all assistance provided with respect to the Project under Section 8 has terminated.

“*Qualified Residential Rental Project*” means a project that satisfies the requirements of a “qualified residential rental project” as set forth in Section 142(d) of the Code.

“*Regulated Units*” means those Units rented to and occupied by Lower-Income Tenants to satisfy the Lower-Income Tenant Occupancy Requirement.

### **Occupancy Restrictions**

The Borrower represents, covenants, and agrees in the Tax Regulatory Agreement that at all times during the Qualified Project Period and, if longer, for such additional period as the Bond Mortgage Loan remains outstanding, the Lower Income Tenant Occupancy Requirement shall be met. For the purpose of satisfying this requirement:

- (a) The Project shall be treated as a separate Qualified Residential Rental Project.
- (b) A residential Unit in the Project shall be treated as “occupied” if it was previously rented to and occupied by a Lower-Income Tenant and is being held vacant and available for rental to a Lower-Income Tenant. When such a Unit is reoccupied (other than for a temporary period of not more than 31 days), the character of the Unit shall be redetermined.
- (c) The determination of Annual Income will be made both prior to occupancy and on a continuing basis. Increases in a Lower-Income Tenant’s Annual Income up to 140% of the applicable limit (adjusted for family size) will not result in disqualification so long as the next Unit of comparable or smaller size in the same building as the Lower-Income Tenant which becomes vacant shall be rented to a Lower Income Tenant. In the event that a Lower-Income Tenant’s Annual Income increases to a level more than 140% of the then applicable limit (or if a Lower-Income Tenant’s family size decreases so that a lower maximum income applies to the Lower-Income Tenant), and the next Unit of comparable or smaller size in the same building as the Lower-Income Tenant has become available and is not rented to a Lower Income Tenant, that Lower-Income Tenant may no longer be counted among the 40% of Units that satisfy the Lower-Income Tenant Occupancy Requirement; provided however, that if tax credits under Section 42 of the Code are allowed with respect to the Project, the next Unit of a comparable or smaller size in the same building as the Lower-Income Tenant whose Annual Income has increased to a level more than 140% of the then applicable limit must be rented to a Lower-Income Tenant.

The Borrower covenants in the Tax Regulatory Agreement that all of the proceeds of the Bond Mortgage Loan will be used to finance buildings and equipment that qualify as a Qualified Residential Rental Project. The Administration understands and agrees that the Regulated Units may be located in one or more of the buildings comprising the Project and that the Administration will not require that each building contain one or more Regulated Units. All of the dwelling Units in the Project shall be rented or available for rental on a continuous basis to the general public.

### **Freddie Mac Rider; Enforcement**

The Freddie Mac Rider attached to and forming a part of the Tax Regulatory Agreement provides that notwithstanding anything contained in the Tax Regulatory Agreement or the Indenture to the contrary:

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

(b) neither the Administration nor the Trustee may, upon the occurrence of an event of default under the Tax Regulatory Agreement, seek, in any manner, to (i) cause or direct acceleration of the Bond Mortgage Loan; (ii) enforce the Bond Mortgage Note; (iii) foreclose on the Bond Mortgage; (iv) cause the Trustee to redeem the Bonds or to declare the principal of the Bonds and the interest accrued on the Bonds to be immediately due and payable; or (v) cause the Trustee to take any other action under any of the Bond Mortgage Loan Documents or any other documents which action would or could have the effect of achieving any one or more of the actions, events or results described in the preceding clauses (i) through (iv) or (vi) exercise certain rights or remedies described in the Tax Regulatory Agreement; and

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

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

The foregoing prohibitions and limitations are not intended to limit the rights of the Administration or the Trustee to specifically enforce the Tax Regulatory Agreement or to seek injunctive relief in order to provide for the operation of the Project in accordance with the requirements of the Code and State law. Accordingly, upon any default by the Borrower, the Administration or the Trustee may seek specific performance of the Tax Regulatory Agreement or enjoin acts which may be in violation of the Tax Regulatory Agreement or unlawful, but neither the Administration nor the Trustee may seek any form of monetary recovery from the Borrower, although the Administration may seek to enforce a claim for indemnification, provided that no obligation of the Borrower under the Tax Regulatory Agreement, including, without limitation, any indemnification obligation, any other obligation for the payment of money, any claim and any judgment for monetary damages against the Borrower, occasioned by breach or alleged breach by the Borrower of its obligations under the Tax Regulatory Agreement or otherwise, shall be secured by or in any manner constitute a lien on, or security interest in, the Project, whether in favor of the Administration, the Trustee or any other person, and all such obligations shall be, and by the Freddie Mac Rider are, subordinate in priority, in right to payment and in all other respects to the obligations, liens, rights (including, without limitation, the right to payment) and interests arising or created under the Bond Mortgage Loan Documents. Accordingly, neither the Administration nor the

Trustee shall have the right to enforce any monetary obligation other than directly against the Borrower, without recourse to the Project. In addition, any such enforcement must not cause the Borrower to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Borrower under any applicable liquidation, insolvency, bankruptcy, rehabilitation, composition, reorganization, conservation or other similar law in effect now or in the future.

The obligations of any Project owner under the Tax Regulatory Agreement shall be personal to the person who was the owner at the time that an event, including, without limitation, any default or breach of the Tax Regulatory Agreement, occurred or was alleged to have occurred, and such person shall remain liable for any and all such obligations, including damages occasioned by a default or breach, even after such person ceases to be the owner of the Project. Accordingly, no subsequent owner of the Project shall be liable or obligated for the obligation of any prior owner (including the Borrower), including, but not limited to, any obligation for payment, indemnification or damages, for default or breach of the Tax Regulatory Agreement or otherwise. The owner of the Project at the time the obligation was incurred, including any obligation arising out of a default or breach of the Tax Regulatory Agreement, shall remain liable for any and all payments and damages occasioned by such Project owner even after such person ceases to be the owner of the Project, and no person seeking such payments or damages shall have recourse against the Project.

Under no circumstances shall the Administration or the Trustee:

(a) initiate or take any action which may have the effect, directly or indirectly, of impairing the ability of the Borrower to timely pay the principal of, interest on, or other amounts due and payable under, the Bond Mortgage Loan;

(b) interfere with or attempt to influence the exercise by Freddie Mac of any of its rights under the Bond Mortgage Loan, including without limitation, Freddie Mac's remedial rights under the Bond Mortgage Loan Documents upon the occurrence of an event of default by the Borrower under the Bond Mortgage Loan; or

(c) upon the occurrence of an event of default under the Bond Mortgage Loan, take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Bond Mortgage Loan.

### **Amendment**

Subject to the limitations in the Tax Regulatory Agreement, the Tax Regulatory Agreement may be terminated, extended, modified, or amended upon an amendment to or modification of applicable provisions of the Code relating to the exclusion of the interest on the Bonds from gross income for federal income tax purposes, provided the Administration obtains an opinion of Bond Counsel to the effect that upon such termination, extension, modification, or amendment, interest on the Bonds shall remain excludable from gross income for federal income tax purposes. Any such termination, extension, modification, or amendment shall be in writing and shall be effective only after execution by the Administration and the Borrower, and recordation among the land records of the county in which the Project is located. For purposes of execution of the instrument evidencing such termination, extension, modification or amendment, the Borrower irrevocably appoints the Administration its attorney-in-fact, with full power and authority to execute all documents and do all acts necessary or desirable to give effect to such termination, extension, modification, or amendment. Notwithstanding the foregoing, pursuant to the Freddie Mac Rider, the Tax Regulatory Agreement may not be amended without the prior written consent of Freddie Mac.

## **CONTINUING DISCLOSURE**

The Administration has not made and will not make any provision to provide any annual financial statements or other credit information of the Borrower to investors on a periodic basis.

There are currently no financial or operating data available concerning the Borrower, which is a newly-formed special purpose entity organized exclusively to acquire and rehabilitate the Project. The Borrower will undertake all responsibilities for any continuing disclosure to the Beneficial Owners and Holders of the Bonds. A failure by the Borrower to comply with the provisions of the Continuing Disclosure Agreement (as defined below) will not constitute a default under the Indenture or the Financing Agreement (however, Bondholders will have any available remedy at law or in equity to compel the Borrower to provide required disclosures). Such a failure to comply must be reported in accordance with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “Rule”) and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds.

The Borrower and the Trustee, as dissemination agent (the “Dissemination Agent”), will enter into a Continuing Disclosure Agreement, dated as of the date of the Indenture (the “Continuing Disclosure Agreement”). The Continuing Disclosure Agreement obligates the Borrower to send, or cause to be sent, certain annual financial information with respect to the Project to the Municipal Securities Rulemaking Board and to provide notice, or cause notice to be provided, to the Municipal Securities Rulemaking Board upon the occurrence of certain enumerated events for the benefit of the Beneficial Owners and Holders of the Bonds. The form of the Continuing Disclosure Agreement is attached as Appendix D hereto. The Borrower has not entered into any other such undertaking with respect to the Rule.

## **TAX MATTERS**

### **Opinion of Bond Counsel**

In the opinion of Kutak Rock LLP, Bond Counsel to the Administration, under existing laws, regulations, rulings and court decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants described herein, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any Bond for any period during which the Bond is held by a person who is a “substantial user” of the facilities financed with the proceeds of the Bonds or a “related person” within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item or included in adjusted current earnings for purposes of the federal alternative minimum tax.

In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Administration and the Borrower in connection with the Bonds, and Bond Counsel has assumed compliance by the Administration and the Borrower with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel, under existing statutes, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, is exempt from taxation of every kind and nature whatsoever by the State of Maryland,

except that no opinion is expressed with respect to any exemption from Maryland estate or inheritance taxes.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Bonds, and renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

### **Certain Ongoing Federal Tax Requirements and Covenants**

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal Government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Administration has covenanted that it shall do and perform all acts necessary or desirable to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code. The Administration will deliver its Tax Certificate concurrently with the issuance of the Bonds which will contain provisions relating to compliance with the requirements of the Code. The Administration also has required or will require the Borrower to make certain covenants in the Bond Mortgage Loan documents relating to compliance with the requirements of the Code. No assurance can be given, however, that in the event of a breach of any such covenant, the remedies available to the Administration or the owners of the Bonds can be enforced judicially in a manner to assure compliance with the Code and to prevent the loss of the exclusion from gross income of the interest on the Bonds for Federal income tax purposes.

### **Low Income Set Aside Requirements under the Code**

The Bonds are subject to the low income set aside and other requirements for qualified residential rental projects under the Code which are described briefly in this paragraph. The Code requires that at least 95 percent of the net proceeds of exempt facility bonds under Section 142(a)(7) (after reduction for amounts applied to fund a reasonably required reserve fund) be used to provide "qualified residential rental projects." The Code defines a residential rental project as a project containing units with separate and complete facilities for living, sleeping, eating, cooking, and sanitation that are available to the general public and are to be used on other than a transient basis. Section 142(d) of the Code requires that either (a) at least 20% of the completed units in a project to be financed with the proceeds of the Bonds be continuously occupied during the "qualified project period" by individuals and families whose annual adjusted income does not exceed 50% of the area median income (with adjustments for family size); or (b) at least 40% of the completed units in a project to be financed with the proceeds of the Bonds be continuously occupied during the qualified project period by individuals and families whose annual adjusted income does not exceed 60% of the area median income (with adjustments for family size). The Administration will make elections on the applicable low income set aside requirements with respect to the Project prior to the Delivery Date. In addition, all of the units in the Project must be rented or available for rental on a continuous basis throughout the applicable qualified project period. The Code defines the "qualified project period" as the period beginning on the first day upon which 10% of the units in a project are occupied and ending on the latest of (i) the date that is 15 years after the date upon which

50% of the residential units in such project are occupied, (ii) the first day on which no tax-exempt private activity bond issued with respect to the Project is outstanding, or (iii) the date upon which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937, as amended, terminates. A unit generally will meet the continuing low income set aside requirement so long as the tenant's income does not increase to more than 140% of the applicable income limitation. Generally, upon an increase of a tenant's income over 140% of the applicable income limitation, the next available unit of comparable or smaller size in the Project must be rented to a tenant whose income does not exceed the applicable income limitation; provided however, that if tax credits under Section 42 of the Code are allowed with respect to the Project, the next available unit of comparable or smaller size in the same building as the tenant whose income has increased over 140% of the applicable income limitation must be rented to a tenant whose income does not exceed the applicable income limitation. The Code requires annual certifications to be made to the Secretary of the Treasury regarding compliance with the applicable income limitations.

### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S Corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. The extent of these collateral tax consequences will depend upon such owner's particular tax status and other items of income or deduction, and Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

### **Original Issue Discount**

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Bonds of a Series is expected to be the initial public offering price set forth on the cover page (or inside cover page) of this Official Statement with respect to such Series of Bonds. In general, under Section 1288 of the Code, OID on a Bond having OID (a "Discount Bond") accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income

received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Generally, such original issue discount is amortized over the term of any such Discount Bonds, and such amortized amount is treated as tax-exempt interest. Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

### **Bond Premium**

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost.

Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

### **Information Reporting and Backup Withholding**

Information reporting requirements will apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification”, or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding”, which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

## **Miscellaneous**

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to Bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

## **UNDERWRITING**

The Bonds are being purchased on a negotiated basis by J.P. Morgan Securities LLC (“JPMS”), RBC Capital Markets, LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated (collectively, the “Underwriters”). The Underwriters have jointly and severally agreed to purchase the Bonds at the price or prices set forth on the inside cover page of this Official Statement. The Underwriters will receive a fee of \$73,664.00 relating to their purchase of the Bonds. The Underwriters are not acting as financial advisors to the Borrower or the Administration. The bond purchase agreement among the Administration, the Borrower and the Underwriters (the “Bond Purchase Agreement”) provides that the Underwriters will purchase all but not less than all of the Bonds. The Underwriters’ obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, including, without limitation, the approval of certain legal matters by counsel and certain other conditions. The initial public offering prices of the Bonds may be changed, from time to time, by the Underwriters.

The Underwriters may offer and sell any of the Bonds to certain dealers (including dealers depositing such Bonds into investment trusts) and certain dealer banks and banks acting as agents at prices lower than the public offering prices stated on the inside cover page hereof.

JPMS, one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, investment management, principal investment, hedging, financing and brokerage civilities. The Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, such services for the Administration or the Borrower for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities and financial instruments which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time



hold long and short positions in such securities and instruments. Such investment securities activities may involve securities and instruments of the Administration or the Borrower.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

### **FINANCIAL ADVISORS**

Caine Mitter & Associates Incorporated and Strategic Solutions Center, LLC are serving as financial advisors to the Administration in connection with the sale of the Bonds.

### **RATING**

It is a condition to the issuance of the Bonds that Moody's Investors Service (the "Rating Agency") assign to the Bonds the rating set forth on the cover hereof and that such rating will not be suspended, reduced or withdrawn. The rating reflects only the views of the rating agency, and an explanation of the significance of such rating may be obtained from it. No assurance can be given that the rating will be maintained for any given period of time or that the rating may not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The Underwriters and the Administration have undertaken no responsibility after issuance of the Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

### **CERTAIN LEGAL MATTERS**

Certain legal matters relating to the authorization and validity of the Bonds will be subject to an approving opinion of Kutak Rock LLP, Washington, D.C., Bond Counsel to the Administration. A form of the opinion of Bond Counsel with respect to the Bonds is set forth in Appendix C hereto. Certain legal matters will be passed upon for the Administration by an Assistant Attorney General of the State of Maryland as Counsel to the Department, for Freddie Mac by its Associate General Counsel and by its counsel, Katten Muchin Rosenman LLP, Washington DC, for the Borrower by its counsel, Nixon Peabody LLP, Washington, D.C. and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, New York, New York. Payment of the fees of certain counsel to the transaction is contingent upon the issuance and delivery of the Bonds as described herein.

### **ABSENCE OF LITIGATION**

#### **The Administration**

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

#### **The Borrower**

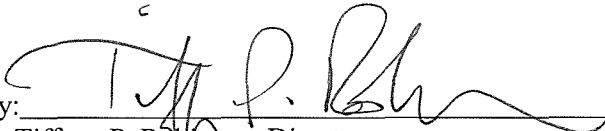
There is no pending or, to the knowledge of the Borrower, threatened litigation against the Borrower which in any way questions the validity of the Bonds or any proceedings or transactions relating to their issuance, or that would materially adversely affect the Borrower's obligations under the Bond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

## MISCELLANEOUS

Any statements herein involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Administration or the Underwriters and the purchasers or owners of any of the Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Secretary of the Department of Housing and Community Development.

**COMMUNITY DEVELOPMENT ADMINISTRATION  
MARYLAND DEPARTMENT OF HOUSING AND  
COMMUNITY DEVELOPMENT**

By:   
Tiffany P. Robinson, Director  
Community Development Administration

The execution and delivery of this Official Statement have been duly authorized by an Authorized Officer of the Borrower.

**HAMPSTEAD CUMBERLAND ARMS  
PARTNERS II, L.P.**

a Maryland limited partnership, managing  
general partner

By: Hampstead Arms II, LLC, a Maryland  
limited liability company, managing  
general partner

By: Hampstead Partners, Inc., a  
California corporation, its  
member

By: /s/ Greg Gossard  
Greg Gossard  
Secretary

## APPENDIX A

### DEFINITIONS OF CERTAIN TERMS

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

“*Act*” means Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, and all future acts supplemental thereto or amendatory thereof.

“*Actual Bond Mortgage Loan Amount*” means the amount of the Bond Mortgage Loan that shall be outstanding on the Conversion Date as determined by Freddie Mac in accordance with the Construction Phase Financing Agreement.

“*Administration*” means the Community Development Administration, a unit of the Division of Development Finance of the Department of Housing and Community Development, a principal department of the State.

“*Administration Fund*” means the Administration Fund established by the Trustee pursuant to the Indenture.

“*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.

“*Authorized Denomination*” means \$5,000 principal amount or any integral multiple thereof within a maturity.

“*Authorized Officer*” means (a) when used with respect to the Administration, the Secretary, the Deputy Secretary of Housing and Community Development, the Director, the Deputy Director, Bond Finance, any Director of any program or division of the Administration or any other Person duly authorized by the Secretary in writing to perform any act on behalf of the Administration; (b) when used with respect to the Borrower, any officer of Hampstead Partners, Inc., the member of Hampstead Arms II, LLC, the general partner of the Borrower and such additional Person or Persons, if any, duly designated by the Borrower in writing to act on its behalf; (c) when used with respect to the Trustee, any authorized signatory of the Trustee, or any Person who is authorized in writing to take the action in question on behalf of the Trustee; (d) when used with respect to the Servicer, any Person or Persons duly designated by the Servicer in writing to act on its behalf; (e) when used with respect to the Credit Facility Provider, any Person who is authorized in writing to take the action in question on behalf of the Credit Facility Provider; and (f) prior to Conversion, when used with respect to the Construction Phase Credit Facility Provider, any person who is authorized in writing to take the action in question on behalf of the Construction Phase Credit Facility Provider.

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

“*Bond*” or “*Bonds*” means the Community Development Administration Multifamily Development Revenue Bonds (Cumberland Arms Apartments) Series 2015 D, issued pursuant to the provisions of the Indenture.

“*Bond Counsel*” means (a) on the Delivery Date, Kutak Rock LLP, the law firm delivering the approving opinion with respect to the Bonds; or (b) any other firm of attorneys selected by the Administration that is experienced in matters relating to the issuance of obligations by states and their political subdivisions that is listed as municipal bond attorneys in The Bond Buyer’s Municipal Marketplace and is acceptable to the Credit Facility Provider.

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

“*Bond Financing Documents*” means, collectively, the Indenture, the Bonds, the Financing Agreement, the Tax Regulatory Agreement, the Tax Certificate, the Continuing Disclosure Agreement and any Bond Mortgage Loan Documents not otherwise included in the foregoing list of documents.

“*Bond Fund*” means the Bond Fund established by the Trustee pursuant to the Indenture.

“*Bond Mortgage*” means the First Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Financing Statement dated as of the date of the Indenture, together with all riders and addenda thereto, granting a first priority mortgage and security interest in the Project to the Administration to secure the repayment of the Bond Mortgage Loan which Bond Mortgage has been assigned by the Administration to the Trustee and Freddie Mac, as the respective interests of the Trustee and Freddie Mac may appear, under and subject to the terms and conditions of the Intercreditor Agreement, as the same may be amended, supplemented or restated.

“*Bond Mortgage Loan*” means the loan made by the Administration to the Borrower in the original principal amount equal to the principal amount of the Bonds pursuant to the Financing Agreement.

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

“*Bond Mortgage Loan Fund*” means the Bond Mortgage Loan Fund established by the Trustee pursuant to the Indenture.

“*Bond Mortgage Note*” means the Bond Mortgage Note dated the Delivery Date from the Borrower, including all riders and addenda thereto, evidencing the Borrower’s obligation to repay the Bond Mortgage Loan, as the same may be amended, supplemented or restated from time to time, which Bond Mortgage Note will be delivered to the Administration and assigned by the Administration to the Trustee and Freddie Mac, as the respective interests of the Trustee and Freddie Mac may appear, under and subject to the terms and conditions of the Intercreditor Agreement.

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

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

“*Bond Year*” means each one year period that ends at the close of business on the day in the calendar year selected by the Borrower as indicated in the Tax Certificate. The first and last Bond Years may be short periods. If no day is selected by the Borrower before the earlier of the Maturity Date of the Bonds or the date that is five years after the Delivery Date, then each Bond Year ends on each anniversary of the Delivery Date for such issue of Bonds and on the Maturity Date.

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

“*Borrower*” means Hampstead Cumberland Arms Partners II, L.P., a Maryland limited partnership, or any of its permitted successors or assigns, as owner of the Project.

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

“*Borrower Equity Account*” means the Borrower Equity Account of the Bond Mortgage Loan Fund established by the Trustee pursuant to the Indenture.

“*Borrower Equity Deposit*” means the amount specified in the Indenture, which shall be comprised of sources other than the proceeds of the Bonds.

“*Business Day*” means (a) any day other than (i) a Saturday, (ii) a Sunday, (iii) a day on which the Federal Reserve Bank of New York (or other agent acting as the Credit Facility Provider’s fiscal agent identified to the Trustee) is authorized or obligated by law or executive order to remain closed, (iv) a day on which the Principal Office of the Credit Facility Provider or the Principal Office of the Construction Phase Credit Facility Provider is closed; or (b) a day on which (i) banking institutions in the City of New York, the City of Baltimore or in the city in which the Principal Office of the Trustee, the Principal Office of the Credit Facility Provider or the Principal Office of the Construction Phase Credit Facility Provider is located are authorized or obligated by law or executive order to be closed; or (ii) the New York Stock Exchange is closed.

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

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

“*Commitment*” means the forward commitment from Freddie Mac to the Servicer pursuant to which Freddie Mac has agreed to provide credit enhancement for the Bond Mortgage Loan, as the same may be amended, modified or supplemented from time to time.

“*Conditions to Conversion*” means the conditions set forth in the Construction Phase Financing Agreement.

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

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

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

“*Construction Phase Credit Facility*” means the Letter of Credit or any replacement construction phase credit facility acceptable to the Credit Facility Provider.

“*Construction Phase Credit Facility Provider*” means Citibank, N.A., a national banking association, organized and operating under the laws of the United States of America, as provider of the Construction Phase Credit Facility, and its successors and assigns.

“*Construction Phase Credit Reimbursement Agreement*” means the Letter of Credit and Reimbursement Agreement between the Borrower and the Construction Phase Credit Facility Provider, as such agreement may be amended, modified, supplemented or restated from time to time.

“*Construction Phase Financing Agreement*” means the Construction Phase Financing Agreement dated as of the date of the Indenture, by and among Freddie Mac, the Construction Phase Credit Facility Provider and the Servicer, as such agreement may be amended, modified, supplemented or restated from time to time.

“*Continuing Disclosure Agreement*” means the Continuing Disclosure Agreement, dated as of the date of the Indenture, between the Borrower and the Dissemination Agent, as such Continuing Disclosure Agreement may from time to time be amended or supplemented.

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

“*Conversion Date*” means the date specified as such by the Servicer in the Notice of Conversion, which date shall be at least ten (10) days following the date on which the Notice of Conversion is delivered and shall be any Business Day of a month.

“*Cost,*” “*Costs*” or “*Costs of the Project*” means costs paid with respect to the Project that (a) are properly chargeable to capital account (or would be so chargeable with a proper election by the Borrower or but for a proper election by the Borrower to deduct such costs) in accordance with general federal income tax principles and in accordance with United States Treasury Regulations Section 1.103-8(a)(1), (b) are paid with respect to a qualified residential rental project or projects within the meaning of Section 142(d) of the Code, (c) are paid after the earlier of sixty (60) days prior to the date of a resolution of the Administration to reimburse costs of the Project with proceeds of Bonds or the date of issue of the Bonds, and (d) if the Costs of the Project were previously paid and are to be reimbursed with proceeds of the Bonds such costs were (i) costs of issuance of the Bonds, (ii) preliminary capital expenditures (within the



meaning of United States Treasury Regulations Section 1.150-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of acquisition or rehabilitation of the Project that do not exceed twenty percent (20%) of the issue price of the Bonds (as defined in United States Treasury Regulations Section 1.148-1), or (iii) were capital expenditures with respect to the Project that are reimbursed no later than eighteen (18) months after the later of the date the expenditure was paid or the date the Project is placed in service (but no later than three years after the expenditure is paid); provided however, that if any portion of the Project is being constructed or developed by the Borrower or an Affiliate (whether as a developer, a general contractor or a subcontractor), “Cost,” “Costs” or “Costs of the Project” shall include only (A) the actual out-of-pocket costs incurred by the Borrower or such Affiliate in developing or constructing the Project (or any portion thereof); (B) any reasonable fees for supervisory services actually rendered by the Borrower or such Affiliate (but excluding any profit component); and (C) any overhead expenses incurred by the Borrower or such Affiliate which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the rehabilitation of the Project or payments received by such Affiliate due to early completion of the Project (or any portion thereof).

“*Cost of Issuance Fund*” means the Cost of Issuance Fund established by the Trustee pursuant to the Indenture.

“*Costs of Issuance*” means (a) the fees (excluding ongoing fees), costs and expenses of (i) the Administration, the Administration’s counsel and the Administration’s financial advisor; (ii) the Underwriters (including discounts to the Underwriters or other purchasers of the Bonds, other than original issue discount, incurred in the issuance and sale of the Bonds) and the Underwriters’ counsel; (iii) Bond Counsel; (iv) the Trustee and the Trustee’s counsel; (v) the Servicer and the Servicer’s counsel; (vi) the Credit Facility Provider and the Credit Facility Provider’s counsel; (vii) the Borrower’s counsel attributable to the issuance of the Bonds and the Borrower’s financial advisor, if any; (viii) the Construction Phase Credit Facility Provider and the Construction Phase Credit Facility Provider’s counsel; and (ix) the Rating Agency; (b) costs of printing the offering documents relating to the sale of the Bonds; and (c) all other fees, costs and expenses directly associated with the authorization, issuance, sale and delivery of the Bonds, including, without limitation, printing costs, costs of reproducing documents, filing and recording fees.

“*Costs of Issuance Deposit*” means the deposit to be made by the Borrower with the Trustee on the Delivery Date for deposit in the Cost of Issuance Fund, which deposit shall be comprised of sources other than the proceeds of the Bonds.

“*Credit Enhancement Agreement*” means the Credit Enhancement Agreement, dated as of the date of the Indenture between Freddie Mac and the Trustee, as such Credit Enhancement Agreement may from time to time be amended or supplemented.

“*Credit Facility*” means the Credit Enhancement Agreement.

“*Credit Facility Account*” means the Credit Facility Account of the Revenue Fund established by the Trustee pursuant to the Indenture.

“*Credit Facility Interest Reimbursement Account*” means the Credit Facility Interest Reimbursement Account of the Credit Facility Reimbursement Fund established by the Trustee, for the benefit of Freddie Mac, pursuant to the Indenture.

“*Credit Facility Principal Reimbursement Account*” means the Credit Facility Principal Reimbursement Account of the Credit Facility Reimbursement Fund established by the Trustee, for the benefit of Freddie Mac, pursuant to the Indenture.

“*Credit Facility Provider*” means Freddie Mac.

“*Credit Facility Reimbursement Fund*” means the Credit Facility Reimbursement Fund established by the Trustee, for the benefit of Freddie Mac, pursuant the Indenture.

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

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

“*Custodian*” means Manufacturers and Traders Trust Company, a New York banking corporation, not in its individual capacity but solely in its capacity as collateral agent for the Credit Facility Provider under the Pledge Agreement, and any successor in such capacity.

“*Delivery Date*” means the date of initial delivery of the Bonds to the initial purchasers thereof against payment therefor.

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

“*Dissemination Agent*” means, initially, Manufacturers and Traders Trust Company, or any dissemination agent subsequently appointed in accordance with the Continuing Disclosure Agreement.

“*Dissemination Agent’s Fee*” means the annual or semi-annual fees to the Dissemination Agent, as compensation for the Dissemination Agent’s services under the Continuing Disclosure Agreement, in the amount of \$60, payable semi-annually on each March 1 and September 1, commencing March 1, 2016.

“*DTC*” means The Depository Trust Company, New York, New York, as initial securities depository for the Bonds pursuant to the Indenture, or its successors.

“*Electronic Notice*” means delivery of notice in a Word format or a Portable Document Format (“PDF”) by electronic mail to the electronic mail addresses listed in the Indenture, provided that if a sender receives notice that the electronic mail is undeliverable, notice must be sent as otherwise required by the Indenture.

“*Eligible Funds*” means (a) proceeds received pursuant to the Credit Facility; (b) proceeds of the Bonds received contemporaneously with the issuance and sale of the Bonds (including any Bond proceeds deposited to the Project Account of the Bond Mortgage Loan Fund on the Delivery Date); (c) proceeds from the investment or reinvestment of money described in clauses (a) and (b) above; or (d) money delivered to the Trustee and accompanied by a written opinion of nationally recognized counsel experienced in bankruptcy matters to the effect that if the Borrower, any general partner, member or

guarantor of the Borrower, or the Administration were to become a debtor in a proceeding under the Bankruptcy Code: (i) payment of such money to holders of the Bonds would not constitute a voidable preference under Section 547 of the Bankruptcy Code, and (ii) the automatic stay provisions of Section 362(a) of the Bankruptcy Code would not prevent application of such money to the payment of the Bonds.

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

“*Extraordinary Services*” means and includes, but not by way of limitation, services, actions and things carried out and all expenses incurred by the Trustee, including in its capacity as Paying Agent and Bond Registrar, in respect of or to prevent default under the Indenture or the Bond Mortgage Loan Documents, including any reasonable attorneys’ or agents’ fees and expenses and other litigation costs that are entitled to reimbursement under the terms of the Financing Agreement, and other actions taken and carried out by the Trustee which are not expressly set forth in the Indenture or the Bond Mortgage Loan Documents.

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

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

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

“*Financing Agreement*” means the Financing Agreement, dated as of the date of the Indenture, among the Borrower, the Administration and the Trustee, as such Financing Agreement may from time to time be amended or supplemented.

“*Forward Commitment Maturity Date*” means March 1, 2017, unless extended by Freddie Mac in accordance with the Freddie Mac Commitment and the Guide.

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

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

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

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

“*General Account*” means the General Account of the Revenue Fund established by the Trustee pursuant to the Indenture.

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

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

“*Guide*” means the Freddie Mac Delegated Underwriting for Targeted Affordable Housing Guide and the Freddie Mac Multifamily Seller/Servicer Guide, as applicable, as the same may be amended, modified or supplemented from time to time.

“*Indenture*” means the Trust Indenture dated as of the first of the month of issuance of the Bonds, between the Administration and the Trustee, as the same may have been from time to time amended or modified, together with any other Indentures supplemental thereto.

“*Information Service*” means, in accordance with then current guidelines of the Securities and Exchange Commission, the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor entity or entities designated by the Securities and Exchange Commission.

“*Intercreditor Agreement*” means the Intercreditor Agreement dated as of the date of the Indenture among the Administration, the Trustee, the Construction Phase Credit Facility Provider and Freddie Mac, as the same may be amended or supplemented.

“*Interest Component*” has the meaning assigned in the Credit Enhancement Agreement.

“*Interest Payment Date*” means (a) each semi-annual date specified on the cover hereof of each year, commencing on the date set forth on the cover hereof; (b) for Bonds subject to redemption but only with respect to such Bonds, the date of redemption (or purchase in lieu of redemption); and (c) the Maturity Date.

“*Investment Income*” means the earnings and profits derived from the investment of money pursuant to the Indenture.

“*Investor*” means Stratford Cumberland Arms Investors Limited Partnership, a limited partnership organized under the laws of the State of Massachusetts, and its permitted successors and assigns.

“*Issuer Fee*” means the Administration’s annual fee set forth in the Indenture, payable semiannually in arrears on each March 1 and September 1, commencing March 1, 2016.

“*Letter of Credit*” means the clean unconditional, irrevocable and transferrable standby letter of credit delivered to, and for the sole benefit of, Freddie Mac by the Construction Phase Credit Facility Provider in accordance with the terms of the Construction Phase Financing Agreement, together with any amendment delivered with respect to such letter of credit.

“*Loan Differential*” means the difference between the original principal amount of the Bond Mortgage Loan made to the Borrower pursuant to the Financing Agreement and the Actual Bond Mortgage Loan Amount, as determined by Freddie Mac in its sole discretion.

“*Loan Equalization Payment*” means a mandatory prepayment of the Bond Mortgage Loan at the discretion of Freddie Mac so as to cause a partial redemption of the Bonds on or prior to the Conversion Date in an amount equal to the Loan Differential.

“*Maturity Date*” means the maturity date of the Bonds set forth on the inside cover page of this Official Statement.

“*Moody’s*” means Moody’s Investors Service, Inc., and its successors and assigns, if such successors and assigns continue to perform the services of a securities rating agency.

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

“*Notice of Conversion*” means a written notice to be delivered not less than ten (10) days prior to the Conversion Date by the Servicer to the Administration, the Trustee, the Borrower, the Construction Phase Credit Facility Provider and Freddie Mac (a) stating that the Conditions to Conversion have been satisfied on or before the Forward Commitment Maturity Date or, if any Condition to Conversion has not been satisfied on or before the Forward Commitment Maturity Date, stating that such Condition to Conversion has been waived in writing by Freddie Mac (if a waiver is permitted) on or before the Forward Commitment Maturity Date; and (b) confirming the Conversion Date.

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

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

“*Ordinary Trustee’s Fees and Expenses*” means the annual administration fee for the Trustee’s ordinary fees and expenses in rendering its services under the Indenture during each twelve month period, which fee is equal to (and shall not exceed) \$4,250, and is payable semi-annually on each Interest Payment Date so long as such Bonds are Outstanding, commencing March 1, 2016.

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

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

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

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

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

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

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

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

"*Pledge Agreement*" means that certain Pledge, Security and Custody Agreement dated as of the date of the Indenture by and among Freddie Mac, the Custodian and the Borrower, as originally executed or as modified or amended from time to time.

"*Principal Component*" has the meaning assigned in the Credit Enhancement Agreement.

*“Principal Office of the Construction Phase Credit Facility Provider”* means the office of the Construction Phase Credit Facility Provider specified in the Indenture or such other office or offices as the Construction Phase Credit Facility Provider may designate from time to time.

*“Principal Office of the Credit Facility Provider”* means the office of Freddie Mac located at 8100 Jones Branch Drive, McLean, Virginia 22102, or such other office or offices as Freddie Mac may designate in writing from time to time.

*“Principal Office of the Trustee”* means the office of the Trustee specified in the Indenture, or such other office or offices as the Trustee may designate in writing from time to time, or the office of any successor Trustee where it principally conducts its business of serving as trustee under indentures pursuant to which municipal or governmental obligations are issued.

*“Project”* means the 69-unit multifamily rental housing development located at 10 N. Liberty Street, Cumberland, Allegany County, Maryland, known as Cumberland Arms Apartments, including the real estate described in the Bond Mortgage.

*“Project Account”* means the Project Account of the Bond Mortgage Loan Fund established by the Trustee pursuant to the Indenture.

*“Purchase Price”* means the purchase price of the Bonds in the case of any purchase in lieu of redemption thereof.

*“Purchased Bond”* means any Bond pursuant to the Indenture during the period from and including the date of its purchase by the Trustee on behalf of the Borrower with amounts provided by the Credit Facility Provider under the Credit Facility, to, but excluding, the date on which such Bond is (a) transferred pursuant to and in accordance with the Indenture; or (b) redeemed or otherwise cancelled.

*“Purchased Bonds Account”* means the Purchased Bonds Account of the Bond Fund established by the Trustee pursuant to the Indenture.

*“Qualified Investments”* means any of the following if and to the extent permitted by law: (a) direct and general obligations of the United States of America; (b) obligations of any agency or instrumentality of the United States of America the payment of the principal of and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America; (c) senior debt obligations of Freddie Mac; (d) senior debt obligations of Fannie Mae; (e) demand deposits or time deposits with, or certificates of deposit issued by, the Trustee or its affiliates or any bank organized under the laws of the United States of America or any state or the District of Columbia which has combined capital, surplus and undivided profits of not less than \$50,000,000; provided that the Trustee or such other institution has been rated at least “VMIG-1”/ “A-1+” by Moody’s or S&P which deposits or certificates are fully insured by the Federal Deposit Insurance Corporation or collateralized pursuant to the requirements of the Office of the Comptroller of the Currency; (f) investment agreements with Freddie Mac or a bank or any insurance company or other financial institution which has a rating assigned by Moody’s or S&P to its outstanding long term unsecured debt which is the highest rating (as defined below) for long term unsecured debt obligations assigned by Moody’s and S&P, and which are approved by the Credit Facility Provider; (g) shares or units in any money market mutual fund rated “Aaa”/ “AAA” by Moody’s or S&P (or if a new rating scale is implemented, the equivalent rating category given by the Rating Agency for that general category of security) (including mutual funds of the Trustee or its affiliates or for which the Trustee or an affiliate thereof serves as investment advisor or provides other services to such mutual fund and receives reasonable compensation therefor) registered under the Investment Company Act of 1940, as amended, whose investment portfolio consists solely of (i) direct

obligations of the government of the United States of America, or (ii) tax-exempt obligations; or (h)(i) tax-exempt obligations rated in the highest short term rating category by Moody's or S&P, or (ii) shares of a tax-exempt municipal money market mutual fund or other collective investment fund (including mutual funds of the Trustee or its affiliates or for which the Trustee or an affiliate thereof serves as investment advisor or provides other services to such mutual fund and receives reasonable compensation therefor) registered under the federal Investment Company Act of 1940, whose shares are registered under the federal Securities Act of 1933, having assets of at least \$100,000,000, and having a rating of "Aaa"/ "AAA" by Moody's or S&P (or if a new rating scale is implemented, the equivalent rating category given by the Rating Agency for that general category of security), for which at least 95% of the income paid to the holders on interest in such money market fund will be excludable from gross income under Section 103 of the Code; or (i) any other investments approved in writing by the Credit Facility Provider. For purposes of this definition, the "highest rating" shall mean a rating of at least "VMIG-1"/ "A-1+" for obligations with less than one year maturity; at least "Aaa"/ "VMIG-1"/ "AAA"/ "A-1+" for obligations with a maturity of one year or greater but less than three years; and at least "Aaa"/ "AAA" for obligations with a maturity of three years or greater. Qualified Investments must be limited to instruments that have a predetermined fixed-dollar amount of principal due at maturity that cannot vary or change and interest, if tied to an index, shall be tied to a single interest rate index plus a single fixed spread, if any, and move proportionately with such index.

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

"*Rebate Analyst*" means a certified public accountant, financial analyst or bond counsel, or any firm of the foregoing, or financial institution (which may include the Trustee) experienced in making the arbitrage and rebate calculations required pursuant to Section 148 of the Code, selected and retained by the Borrower at the expense of the Borrower, with the prior written consent of the Administration, to make the computations required under the Indenture and the Financing Agreement.

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

"*Record Date*" means the fifteenth day of the month preceding the month in which any Interest Payment Date falls.

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

"*Reimbursement Agreement*" means the Reimbursement and Security Agreement dated as of the date of the Indenture between the Borrower and Freddie Mac, as the same may be amended, supplemented or restated from time to time.

"*Reimbursement Mortgage*" means the Second Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Financing Statement dated as of the date of the Indenture from the Borrower to Freddie Mac, together with all riders and addenda thereto, granting a second priority mortgage and security interest in the Project to Freddie Mac to secure the obligations of the Borrower under the Reimbursement Agreement and all documents related thereto.

"*Reimbursement Security Documents*" has the meaning given to that term in the Reimbursement Agreement.

"*Requisition*" means, with respect to the Bond Mortgage Loan Fund, the requisition in the form attached to the Indenture required to be submitted in connection with disbursements from the Project



Account and/or the Borrower Equity Account of the Bond Mortgage Loan Fund, and with respect to the Cost of Issuance Fund, the requisition in the form attached to the Indenture required to be submitted in connection with disbursements from the Cost of Issuance Fund.

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

“*Revenue Fund*” means the Revenue Fund established by the Trustee pursuant to Indenture.

“*Revenues*” means (a) all payments made with respect to the Bond Mortgage Loan pursuant to the Financing Agreement, the Bond Mortgage Note or the Bond Mortgage, including all casualty or other insurance benefits and condemnation awards paid in connection therewith (subject in all events to the interests of the Credit Facility Provider therein under the terms of the Credit Facility and the Reimbursement Security Documents), (b) payments made by the Credit Facility Provider pursuant to the Credit Facility, and (c) all money and securities held by the Trustee in the funds and accounts established pursuant to the Indenture (excluding money or securities designated for deposit into and held in the Cost of Issuance Fund, the Administration Fund, the Borrower Equity Account, the Credit Facility Reimbursement Fund and the Rebate Fund), together with all investment earnings thereon.

“*S&P*” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, and its successors and assigns, if such successors and assigns continue to perform the services of a securities rating agency.

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

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

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

“*Special Purchased Bonds*” has the meaning given to that term in the Indenture.

“*State*” means the State of Maryland.

“*Tax Certificate*” means the Issuer’s Tax Certificate, dated the Delivery Date, executed by the Administration, including all exhibits thereto.

“*Tax Regulatory Agreement*” means the Declaration of Restrictive Covenants and Regulatory Agreement, dated as of the date of the Indenture, between the Administration and the Borrower, as may be amended or modified.

“*Trustee*” means Manufacturers and Traders Trust Company and its successors in trust under the Indenture.

*“Trust Estate”* has the meaning set forth under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate.”

*“Unassigned Rights”* means all of the rights of the Administration and its directors, officers, commissioners, elected officials, attorneys, accountants, employees, agents and consultants to be held harmless and indemnified, to be paid its fees and expenses, to give or withhold consent to amendments, changes, modifications and alterations, to receive notices and the right to enforce such rights (it being understood that the rights of the Administration under the Tax Regulatory Agreement are not part of the Trust Estate.)

**APPENDIX B**

**FORM OF CREDIT ENHANCEMENT AGREEMENT**

[THIS PAGE INTENTIONALLY LEFT BLANK]

**Freddie Mac Construction Loan No.: 708232450**  
**Freddie Mac Gap Loan No.: 708246281**  
**Freddie Mac Permanent Loan No.: 708246273**

**CREDIT ENHANCEMENT AGREEMENT**

**between**

**FEDERAL HOME LOAN MORTGAGE CORPORATION**

**and**

**MANUFACTURERS AND TRADERS TRUST COMPANY,**  
**as Trustee**

**Relating to a**  
**Bond Mortgage Loan**  
**Securing**

**\$6,315,000**  
**Community Development Administration**  
**Maryland Department of Housing and Community Development**  
**Multifamily Development Revenue Bonds**  
**(Cumberland Arms Apartments)**  
**Series 2015 D**

**Dated as of September 1, 2015**

## TABLE OF CONTENTS

### ARTICLE I DEFINITIONS AND INTERPRETATION

Section 1.1.	Definitions. ....	3
Section 1.2.	Interpretation.....	7

### ARTICLE II REPRESENTATIONS

Section 2.1.	Representations by Freddie Mac.....	7
Section 2.2.	Representations by Trustee.....	8

### ARTICLE III CREDIT ENHANCEMENT

Section 3.1.	Credit Enhancement Payments. ....	8
Section 3.2.	Right of Freddie Mac to Cause Redemption, Purchase in Lieu of Redemption or Acceleration of Bonds.....	10
Section 3.3.	Nature of the Trustee’s Rights. ....	10
Section 3.4.	Adjustments to Required Bond Mortgage Payments and Guaranteed Payments.....	11

### ARTICLE IV FREDDIE MAC REIMBURSEMENTS

Section 4.1.	Reimbursements.....	11
--------------	---------------------	----

### ARTICLE V COVENANTS

Section 5.1.	Annual Reports. ....	11
Section 5.2.	Notice of Certain Events.....	11
Section 5.3.	Amendment of Documents. ....	12
Section 5.4.	Replacement of Servicer.....	12
Section 5.5.	Wiring Information. ....	12

### ARTICLE VI DEFAULT AND REMEDIES

Section 6.1.	Events of Default. ....	12
Section 6.2.	Remedies of Trustee. ....	13
Section 6.3.	Remedies Not Exclusive.....	13
Section 6.4.	Restoration of Rights and Remedies.....	13

**ARTICLE VII MISCELLANEOUS PROVISIONS**

Section 7.1. Interest of Bondholders..... 14  
Section 7.2. Amendment..... 14  
Section 7.3. No Individual Liability. .... 14  
Section 7.4. Notices. .... 14  
Section 7.5. Governing Law. .... 15  
Section 7.6. Severability. .... 15  
Section 7.7. Multiple Counterparts. .... 15  
Section 7.8. Successor Trustee. .... 15  
Section 7.9. Assignment. .... 16  
Section 7.10. Acceptance..... 16

EXHIBIT A --FORM OF NOTICE UNDER SECTION 3.1(a)(i)  
EXHIBIT B --BOND WIRE INSTRUCTION CHANGE REQUEST FORM

## CREDIT ENHANCEMENT AGREEMENT

**THIS CREDIT ENHANCEMENT AGREEMENT** (this “Agreement”) is made and entered into as of September 1, 2015, by and between the **FEDERAL HOME LOAN MORTGAGE CORPORATION** (“**Freddie Mac**”), a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States, and **MANUFACTURERS AND TRADERS TRUST COMPANY** (the “**Trustee**”), a state banking corporation, duly organized and existing under the laws of the New York, in its capacity as Trustee under a Trust Indenture dated as of the date hereof (the “**Indenture**”), between the Community Development Administration, a unit of the Division of Development Finance of the Department of Housing and Community Development, a principal department of the State of Maryland (the “**Issuer**”) and the Trustee.

### WITNESSETH:

**WHEREAS**, pursuant to the Indenture, the Issuer has issued its Community Development Administration, Maryland Department of Housing and Community Development Multifamily Development Revenue Bonds (Cumberland Arms Apartments) Series 2015 D (the “**Bonds**”) in the original aggregate principal amount of \$6,315,000; and

**WHEREAS**, pursuant to a Financing Agreement dated as of the date hereof (the “**Financing Agreement**”) among the Issuer, the Trustee and Hampstead Cumberland Arms Partners II, L.P., a limited partnership duly organized and existing under the laws of the State of Maryland (the “**Borrower**”), the Issuer has agreed to use the proceeds of the sale of Bonds to make a mortgage loan (the “**Bond Mortgage Loan**”) to the Borrower to finance the Project described therein; and

**WHEREAS**, the Borrower has agreed to use the proceeds of the Bond Mortgage Loan to provide for the acquisition, rehabilitation and equipping of the Project; and

**WHEREAS**, the Borrower’s repayment obligations in respect of the Bond Mortgage Loan will be evidenced by a promissory note dated the Closing Date (together with all riders and addenda thereto, the “**Bond Mortgage Note**”) delivered to the Issuer and assigned by the Issuer to the Trustee and Freddie Mac, as the respective interests of the Trustee and Freddie Mac may appear, under and subject to the terms and conditions of the Intercreditor Agreement; and

**WHEREAS**, to secure the Borrower’s obligations under the Bond Mortgage Note, the Borrower has executed and delivered for the benefit of the Issuer a First Multifamily Deed of Trust, Assignment of Rents and Security Agreement dated as of the date hereof (the “**Bond Mortgage**”) with respect to the Project, which Bond Mortgage has been assigned by the Issuer to the Trustee pursuant to the Indenture; and

**WHEREAS**, in order to provide credit enhancement for the payment by the Borrower of amounts due under the Bond Mortgage Loan, the Borrower has requested that Freddie Mac enter into this Agreement with the Trustee, which permits the Trustee to make draws in an amount equal to Guaranteed Payments with respect to the Bond Mortgage Loan; and



**WHEREAS**, to evidence the Borrower's reimbursement obligations to Freddie Mac for draws made hereunder, the Borrower and Freddie Mac are entering into a Reimbursement and Security Agreement contemporaneously with the execution and delivery hereof (the "**Reimbursement Agreement**"); and

**WHEREAS**, to secure the Borrower's reimbursement obligations to Freddie Mac under the Reimbursement Agreement, the Borrower is executing and delivering for the benefit of Freddie Mac a Second Multifamily Deed of Trust, Assignment of Rents and Security Agreement contemporaneously with the execution and delivery hereof (the "**Reimbursement Mortgage**") with respect to the Project; and

**WHEREAS**, to further secure Freddie Mac against any loss Freddie Mac may incur as a result of advancing funds under this Agreement prior to the conversion of the Bond Mortgage Loan, the Borrower has arranged for Citibank, N.A., a national banking association, duly organized and existing under the laws of the United States (the "**Construction Phase Credit Facility Provider**") to provide to Freddie Mac a clean, unconditional, irrevocable and transferable, standby letter of credit (the "**Construction Letter of Credit**"); and

**WHEREAS**, to evidence the Borrower's reimbursement obligations to the Construction Phase Credit Facility Provider for draws made under the Construction Letter of Credit, the Borrower and the Construction Phase Credit Facility Provider are entering into a Letter of Credit and Credit Reimbursement Agreement contemporaneously with the execution and delivery hereof (the "**Credit Agreement**"); and

**WHEREAS**, to secure the Borrower's reimbursement obligations to the Construction Phase Credit Facility Provider under the credit agreement, the Borrower is executing and delivering for the benefit of the Construction Phase Credit Facility Provider a Third Multifamily Deed of Trust, Assignment of Leases and Rents, Security Agreement and fixture filing dated as of (the "**Construction Mortgage**") with respect to the Project; and

**WHEREAS**, the rights of the Issuer, the Trustee, the Construction Phase Credit Facility Provider and Freddie Mac to enforce remedies under the Bond Mortgage, the Construction Mortgage and the Reimbursement Mortgage, respectively, are governed by an Intercreditor Agreement dated as of the date hereof (the "**Intercreditor Agreement**") among the Issuer, the Trustee, the Construction Phase Credit Facility Provider and Freddie Mac; and

**WHEREAS**, Citibank, N.A. (the "**Servicer**") will act as initial servicer for the Bond Mortgage Loan;

**NOW, THEREFORE**, in consideration of the fees to be paid to Freddie Mac, the material covenants and undertakings set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Freddie Mac and the Trustee do hereby agree as follows:

## ARTICLE I

### DEFINITIONS AND INTERPRETATION

**Section 1.1. Definitions.** All capitalized terms not otherwise specifically defined in this Agreement shall have the same meanings, respectively, as the defined terms contained in the Indenture or the Reimbursement Agreement, as applicable. Unless otherwise expressly provided in this Agreement or unless the context clearly requires otherwise, the following terms shall have the respective meanings set forth below for all purposes of this Agreement.

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

“*Available Amount*” means, at any time, an amount equal to the aggregate principal amount of Bonds Outstanding (initially, \$6,315,000) plus an amount equal to all the accrued interest on the Bonds Outstanding for up to 189 days, computed on the basis of a 360-day year of twelve (12) thirty (30) day months, plus an amount equal to the accrued but unpaid Issuer Fee, as reduced by that amount, if any, previously provided by Freddie Mac to the Trustee for payment of the Guaranteed Payment, such reduction to be in an amount equal to 100% of the amount of such Guaranteed Payment. Following any provision of funds under this Agreement, the amount provided (and the amount by which the Available Amount is reduced) shall be reinstated only as provided in Section 3.1(a)(iv).

“*Bond*” or “*Bonds*” means the Community Development Administration, Maryland Department of Housing and Community Development Multifamily Development Revenue Bonds (Cumberland Arms Apartments) Series 2015 D issued in the original principal amount of \$6,315,000.

“*Bond Mortgage*” means the First Multifamily Deed of Trust, Assignment of Rents and Security Agreement dated as of the date hereof, together with all riders and addenda thereto, from the Borrower to the Issuer securing payment of the Bond Mortgage Loan, as the same may be amended, modified or supplemented from time to time, which Bond Mortgage has been assigned by the Issuer to the Trustee pursuant to the Indenture.

“*Bond Mortgage Loan*” means the loan in the original amount of \$6,315,000 by the Issuer to the Borrower pursuant to the Financing Agreement, as evidenced by the Bond Mortgage Note and secured by the Bond Mortgage.

“*Bond Mortgage Note*” means the Bond Mortgage Note dated the Closing Date, from the Borrower to the Issuer in the original principal amount of \$6,315,000, together with all riders and addenda thereto, evidencing the Borrower’s obligation to repay the Bond Mortgage Loan, as the same may be amended, modified or supplemented from time to time, which promissory note has been assigned by the Issuer to the Trustee and Freddie Mac, as the respective interests of the Trustee and Freddie Mac may appear, under and subject to the terms and conditions of the Intercreditor Agreement.

“*Bond Mortgage Payment Date*” means (i) each Interest Payment Date (as defined in the Indenture) while the Bond Mortgage Loan is outstanding, commencing March 1, 2016 and (ii) any other date on which principal of the Bond Mortgage Note is paid.

“*Borrower*” means Hampstead Cumberland Arms Partners II, L.P., a limited partnership duly organized and existing under the laws of the State of Maryland, and any permitted successor to or assignee of its rights and obligations under the Bond Financing Documents.

“*Business Day*” means any day other than (i) a Saturday, (ii) a Sunday, (iii) a day on which the Federal Reserve Bank of New York (or other agent acting as Freddie Mac’s fiscal agent) is authorized or obligated by law or executive order to remain closed, (iv) a day on which the identified to the Trustee as Principal office of Freddie Mac is closed or (v) a day on which (a) banking institutions in the City of New York or in the city in which the Principal Office of the Trustee or Freddie Mac is located are authorized or obligated by law or executive order to be closed or (b) the New York Stock Exchange is closed.

“*Closing Date*” means the date Freddie Mac executes and delivers this Agreement.

“*Custodian*” means Manufacturers and Traders Trust Company, not in its individual capacity but solely in its capacity as collateral agent for Freddie Mac under the Pledge Agreement, and any successor thereto in such capacity.

“*Draw Request*” means a demand for payment delivered by the Trustee to Freddie Mac pursuant to Section 3.1(a)(i) of this Agreement.

“*Event of Default*” means the occurrence of an event of default as described in Section 6.1.

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

“*Freddie Mac Credit Enhancement Payment*” means the amount required to be paid by Freddie Mac to the Trustee with respect to any Guaranteed Payment pursuant to Section 3.1(a)(i).

“*Freddie Mac Reimbursement Amount*” shall have the meaning set forth in the Reimbursement Agreement.

“*Freddie Mac Trustee E-mail Account*” means the Freddie Mac established e-mail account for receipt of notices, inquires and other communications from bond trustees. The e-mail address for the Freddie Mac Trustee E-mail Account is MFLA\_Trustees@freddiemac.com or such other e-mail address as Freddie Mac may designate from time to time.

“*Freddie Mac Trustee Hotline*” means the Freddie Mac established telephone hotline for bond trustees. The hotline number is (703) 714-4177 or such other phone number as Freddie Mac may designate from time to time.

“*Guaranteed Payment*” is defined within the definition of Required Bond Mortgage Payment herein.

“*Guide*” means, collectively, the Freddie Mac Delegated Underwriting for Targeted Affordable Housing Guide and Freddie Mac Multifamily Seller/Service Guide (as applicable), as the same may be amended, modified or supplemented from time to time.

“*Indenture*” means that certain Trust Indenture dated as of September 1, 2015, between the Issuer and the Trustee pursuant to which the Bonds are issued and secured, as the same may be amended, supplemented or restated from time to time.

“*Interest Component*” shall have the meaning provided in the definition of Required Bond Mortgage Payment and Guaranteed Payment, as applicable.

“*Issuer*” means the Maryland Department of Housing and Community Development, a public body and body corporate and politic organized and existing under the laws of the State.

“*Issuer Fee*” means the Issuer’s annual fee equal to 0.25% of the outstanding principal amount of the Bond Mortgage Loan payable in installments on each Interest Payment Date, commencing March 1, 2016. The Issuer Fee shall accrue and be calculated on the basis of a 360-day year consisting of twelve 30 day months.

“*Notice*” means any notice delivered by the Trustee to Freddie Mac pursuant to Section 3.1(a)(i), in the forms set forth in *Exhibit A* hereto.

“*Pledge Agreement*” means the Pledge, Security and Custody Agreement dated as of September 1, 2015, among the Borrower, Freddie Mac and the Custodian, as the same may be amended, supplemented or restated from time to time.

“*Principal Component*” shall have the meaning provided in the definition of Required Bond Mortgage Payment and Guaranteed Payment, as applicable.

“*Purchased Bond*” means any Bond purchased pursuant to Section 3.06 of the Indenture during the period from and including the date of its purchase in lieu of redemption by the Trustee on behalf of the Borrower with amounts provided by Freddie Mac under this Agreement.

“*Purchase Price*” means, with respect to any Bond purchased in lieu of redemption pursuant to Section 3.06 of the Indenture, the principal amount of each Bond plus any redemption premium due thereon plus interest accrued to the Settlement Date. No portion of the Purchase Price consisting of any redemption premium shall be payable from funds drawn under this Agreement.

“*Reimbursement Agreement*” means the Reimbursement and Security Agreement dated as of September 1, 2015, between the Borrower and Freddie Mac, as the same may be amended, supplemented or restated from time to time.

“Required Bond Mortgage Payment” and “Guaranteed Payment” mean the sum of the applicable Interest Component and the applicable Principal Component, as follows:

	<b>Interest Component</b>	<b>Principal Component</b>
Required Bond Mortgage Payment	<p>(i) The regularly scheduled payment of interest due on the unpaid principal balance of the Bond Mortgage Loan, adjusted solely as provided in Section 3.4,</p> <p>(ii) upon optional or mandatory prepayment of the Bond Mortgage Loan, all accrued and unpaid interest on the amount prepaid,</p> <p>(iii) on the maturity date or upon acceleration of the Bond Mortgage Note, all accrued and unpaid interest thereon and</p> <p>(iv) the accrued but unpaid Issuer Fee.</p>	<p>(i) The regularly scheduled payment of principal, on the Bond Mortgage Note, if any,</p> <p>(ii) upon optional or mandatory prepayment of the Bond Mortgage Loan, the principal amount of the Bond Mortgage Note being prepaid and</p> <p>(iii) on the maturity date or upon acceleration of the Bond Mortgage Note, the unpaid principal balance of the Bond Mortgage Note.</p>
Guaranteed Payment	The Interest Component of the corresponding Required Bond Mortgage Payment.	<p>(i) The regularly scheduled payment of principal, on the Bond Mortgage Note, if any (ii) upon optional or mandatory prepayment of the Bond Mortgage Loan, the principal amount of the Bond Mortgage Note being prepaid and (iii) on the maturity date or upon acceleration of the Bond Mortgage Note, the unpaid principal balance of the Bond Mortgage Note.</p>

For the purpose of this Agreement only, regularly scheduled monthly deposits to the Credit Facility Principal Reimbursement Account of the Credit Facility Reimbursement Fund, as provided in the Reimbursement Agreement, or other escrows required by the Bond Mortgage or the Reimbursement Mortgage are not included in the Required Bond Mortgage Payment or Guaranteed Payment.

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

“*State*” means the State of Maryland.

“*Termination Date*” means the first to occur of (a) the date the Bonds shall have been paid in full, (b) the date all of the Bonds shall have been redeemed or purchased in lieu of redemption in accordance with the provisions of Section 3.2 of this Agreement, (c) September 6,

2032, and (d) the date on which the Trustee, after having received sufficient funds to redeem all of the Bonds Outstanding in accordance with the terms of the Indenture, shall have released the lien of the Indenture and shall have paid to Freddie Mac all amounts required to be paid under the Indenture, the Financing Agreement, the Reimbursement Agreement, this Agreement and any other Bond Financing Document.

“*Trustee*” means Manufacturers and Traders Trust Company, and its successors and any other corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at any time serving as successor trustee under the Indenture.

“*Wire Request System*” means the Freddie Mac web-based application known as “MultiSuite for Bonds - Wire Request System,” which is designed to facilitate the payment of Draw Requests. The Wire Request System is to be used by the Trustee to conduct electronic transactions with Freddie Mac and is accessible only via Freddie Mac’s website at the following URL: <http://www.freddiemac.com/multifamily/multisuite.htm>. For instructions on how to register and use the Wire Request System, please call the Freddie Mac Trustee Hotline.

**Section 1.2. Interpretation.** In this Agreement, unless the context otherwise requires, words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include partnerships, limited liability companies, corporations and associations, including public bodies, as well as natural persons. The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder”, and any similar terms, as used in this Agreement, refer to this Agreement. Any reference in this Agreement to an “Exhibit”, a “Section”, a “Subsection”, a “Paragraph” or a “subparagraph” shall, unless otherwise explicitly provided, be construed as referring, respectively, to an Exhibit attached to this Agreement, a section of this Agreement, a subsection of the section of this Agreement in which the reference appears, a paragraph of the subsection within this Agreement in which the reference appears, or a subparagraph of the paragraph within which the reference appears. All Exhibits attached to or referred to in this Agreement are incorporated by reference into this Agreement.

## ARTICLE II

### REPRESENTATIONS

**Section 2.1. Representations by Freddie Mac.** Freddie Mac represents and warrants that:

(a) It is a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States of America.

(b) This Agreement is a valid and binding obligation of Freddie Mac, the making and performance of which by Freddie Mac have been duly authorized by all necessary corporate and other action and neither the consummation of the transactions contemplated hereby nor the fulfillment of or compliance with the terms and conditions of this Agreement by Freddie Mac

conflicts with, results in a breach of, or is a default under, in any material respect, any of the terms, conditions or provisions of any legal restriction or any instrument to which Freddie Mac is now a party or by which Freddie Mac is bound, or constitutes a violation of any law regulating the affairs of Freddie Mac or internal governing documents of Freddie Mac, and will not result in the creation of any prohibited encumbrance upon any of its assets.

**Section 2.2. Representations by Trustee.** The Trustee represents, warrants and covenants that:

(a) It is a state banking corporation, duly organized and existing under the laws of the State of New York, has the power (including trust powers) and authority to accept and execute trusts, has duly accepted its appointment as Trustee under the Indenture, and all corporate action required to authorize acceptance of such appointment as Trustee under the Indenture, the execution, delivery and performance of the Indenture and this Agreement, and consummation of the transactions contemplated thereby and hereby, has been duly taken.

(b) It acknowledges that Freddie Mac has certain rights with respect to the Bond Mortgage Loan and the Bond Mortgage pursuant to the Intercreditor Agreement.

(c) It has furnished wire instructions, which are correctly set forth in Section 5.5, to Freddie Mac for Freddie Mac to make payments under this Agreement by wire transfer and will advise Freddie Mac, in writing, of any change to such instructions utilizing the form attached hereto as ***Exhibit B*** not less than five (5) Business Days prior to the effective date thereof.

### ARTICLE III

#### CREDIT ENHANCEMENT

**Section 3.1. Credit Enhancement Payments.**

(a)(i) On each Bond Mortgage Payment Date, a portion of the Available Amount in an amount not to exceed the aggregate principal amount of the Bonds Outstanding (initially, \$6,315,000) is available for the payment of the Principal Component of the Guaranteed Payment and a portion of the Available Amount in an amount not to exceed the sum of (x) the accrued interest on the Bonds Outstanding for up to 189 days (calculated as provided in the definition of Available Amount), and (y) the accrued and unpaid Issuer Fee, is available for the payment of the Interest Component of the Guaranteed Payment, subject to reduction and reinstatement as provided in Section 3.1(a)(iv), provided that as a condition to a draw for interest under this Credit Enhancement Agreement, the amount on deposit in the Project Account of the Bond Mortgage Loan Fund shall be insufficient to pay accrued interest on the Bonds. Funds shall be made available to the Trustee for such payment against delivery by the Trustee of a demand for payment (each a "Draw Request"). Until Freddie Mac provides the Trustee with written or electronic notice to the contrary, the Trustee shall deliver Draw Requests to Freddie Mac using the Wire Request System. If, for any reason, the Trustee is unable to deliver a Draw Request electronically for processing a payment using the Wire Request System, the Trustee shall notify Freddie Mac immediately via the Freddie Mac Trustee Hotline and Freddie Mac Trustee E-mail Account and deliver that Draw Request by facsimile or electronic transmission, immediately

confirmed by overnight delivery service, of a Notice, in the form set forth in *Exhibit A* hereto, to Freddie Mac at (571) 382-4798, if by facsimile transmission, or the Freddie Mac Trustee E-mail Account, if by electronic transmission (or to such other facsimile number or e-mail address or using such other means of electronic or telephonic communication as Freddie Mac shall designate in writing); provided that Freddie Mac may waive in writing the requirement of confirmation by overnight delivery service. If a Draw Request is made in strict conformity with the terms and conditions hereof, payment shall be made to the Trustee in immediately available funds (A) if such Draw Request is received by Freddie Mac by 12:00 Noon (Washington, D.C. time) on any Business Day, not later than 2:00 p.m. (Washington, D.C. time) on the next Business Day, and (B) if such Draw Request is so received after 12:00 Noon (Washington, D.C. time) on any Business Day, not later than 2:00 p.m. (Washington, D. C. time) on the second succeeding Business Day.

(ii) Notwithstanding any other provision of this Agreement, Freddie Mac shall have no obligation under any circumstance to make a Freddie Mac Credit Enhancement Payment or any other payment under this Agreement with respect to any prepayment premium or other prepayment charge payable on the Bond Mortgage Loan or due under the Bond Mortgage Note (or which may in any way relate to the Bonds, including any redemption premium on the Bonds), any reserve funds that are funded from Bond proceeds, any negative arbitrage or investment losses with respect to reserve amounts held by the Trustee under the Indenture, and Freddie Mac's obligation with respect to the payment of interest under this Section is limited to the Interest Component of the related Guaranteed Payment. In no event shall Freddie Mac be obligated to make a payment under Section 3.1(a) in excess of the Guaranteed Payment. The provisions of this Paragraph (a)(ii) shall in no way affect the obligation of Freddie Mac to make payment of principal to the extent elsewhere provided in this Section.

(iii) Intentionally Omitted.

(iv) Upon a payment under this Agreement, the Available Amount and the amount thereof available (A) for the payment of the Principal Component of the Guaranteed Payment, shall be automatically reduced by an amount equal to the amount of such payment for such purpose and (B) for the payment of the Interest Component of the Guaranteed Payment, shall be automatically reduced by an amount equal to the amount of such payment for such purpose. The obligation of Freddie Mac to pay the Principal Component of the Guaranteed Payment shall not be reinstated. The obligation of Freddie Mac to pay the Interest Component of the Guaranteed Payment shall be reinstated, up to the maximum amount set forth in Section 3.1(a)(i) for such purpose, automatically on the day following the provision of funds by Freddie Mac for payment of such Interest Component.

(b) Intentionally Omitted.

(c) Payments required to be made pursuant to this Agreement shall be made from any source legally available to Freddie Mac, other than funds of the Borrower or the Issuer.

(d) Intentionally Omitted.



(e) This Agreement shall become effective upon its execution and delivery by Freddie Mac and the Trustee and shall cease to be in effect on the Termination Date.

The Trustee hereby expressly acknowledges and agrees that Freddie Mac shall have no liability to the Trustee or to the Bondholders for any failure to make full and timely payment of principal or interest on the Bonds resulting from a deficiency of moneys therefore under the Indenture if the Trustee shall not have delivered, in the manner and at the time required by this Agreement, a Notice under Section 3.1 hereof or any other notice required in this Agreement as a condition precedent to payment thereunder by Freddie Mac.

**Section 3.2. *Right of Freddie Mac to Cause Redemption, Purchase in Lieu of Redemption or Acceleration of Bonds.***

(a) Subject to the provisions of the Indenture, Freddie Mac shall have the right to direct the Trustee to provide notice of redemption or purchase in lieu of redemption of the Bonds to the extent and upon the terms described in the Indenture, provided that Freddie Mac agrees to honor a Notice given in accordance with this Agreement to pay to the Trustee the full redemption price or Purchase Price of the Bonds upon the redemption or purchase in lieu of redemption thereof.

(b) If Freddie Mac pays the Purchase Price of the Bonds in accordance with a purchase in lieu of redemption thereof pursuant to Section 3.06 of the Indenture, subsequent to its date of purchase Freddie Mac or an entity designated by Freddie Mac in accordance with Section 3.06 of the Indenture, as the case may be, may on any day elect to present all or a portion of such Bonds to the Trustee for cancellation pursuant to Section 3.07 of the Indenture.

(c) Freddie Mac shall have the right to cause an acceleration of the Bonds pursuant to Section 6.02 of the Indenture provided the conditions set forth therein have been satisfied. In such event, Freddie Mac shall pay to the Trustee the entire principal amount of the Bonds, together with accrued interest thereon to the date of acceleration of the Bonds.

(d) Upon the payment by Freddie Mac of the redemption price or Purchase Price of the Bonds as provided in Sections 3.2(a), (b) or (c) all payment obligations of Freddie Mac under Section 3.1 with respect to such Bonds to the extent of such payment shall thereupon terminate, other than payment obligations becoming due and owing prior to the date of such payment.

**Section 3.3. *Nature of the Trustee's Rights.*** The right of the Trustee to receive payments from Freddie Mac pursuant to Sections 3.1 and 3.2 shall not be diminished by any rights of set-off, recoupment or counterclaim Freddie Mac might otherwise have against the Issuer, the Trustee, the Borrower or any other person. Notwithstanding the foregoing, this Section 3.3 shall not be construed: to release the Trustee or the Issuer from any of their respective obligations hereunder or under the Indenture; except as provided in this Section, to prevent or restrict Freddie Mac from asserting any rights which it may have against the Issuer, the Trustee or the Borrower under this Agreement, the Indenture, the Intercreditor Agreement, the Bond Mortgage Loan or any provisions of law; or to prevent or restrict Freddie Mac, at its own cost and expense, from prosecuting or defending any action or proceeding by or against the Issuer, the Trustee or the Borrower or taking any other actions to protect or secure its rights;

provided, however that any recovery against the Issuer is limited to the amounts held under the Indenture.

**Section 3.4. *Adjustments to Required Bond Mortgage Payments and Guaranteed Payments.*** In connection with any partial principal prepayments of amounts owing under the Bond Mortgage Note, the Interest Component of the Required Bond Mortgage Payment shall be adjusted only upon the redemption of Bonds in the amount of such principal prepayment.

## ARTICLE IV

### FREDDIE MAC REIMBURSEMENTS

#### **Section 4.1. *Reimbursements.***

(a) For each Freddie Mac Credit Enhancement Payment made by Freddie Mac, Freddie Mac shall be entitled to receive reimbursement under the Reimbursement Agreement in the amount of the Freddie Mac Reimbursement Amount. If the Trustee shall have received a Freddie Mac Credit Enhancement Payment from Freddie Mac with respect to any particular Guaranteed Payment and the Trustee shall have received or shall thereafter receive from the Borrower all or any portion of such Guaranteed Payment or any other amount in lieu of such Guaranteed Payment, the Trustee shall promptly reimburse to Freddie Mac, from any such amounts received from the Borrower, the Freddie Mac Credit Enhancement Payment paid by Freddie Mac as provided in the Indenture.

(b) The Trustee shall maintain records of all Freddie Mac Credit Enhancement Payments received from Freddie Mac hereunder. The Trustee shall, upon receipt of a written request of Freddie Mac, cooperate with Freddie Mac and the Servicer in connection with the reconciliation of the Trustee's records maintained pursuant to this Subsection and any similar records maintained by Freddie Mac or the Servicer.

## ARTICLE V

### COVENANTS

**Section 5.1. *Periodic Reports.*** Freddie Mac registered its common stock with the U.S. Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (the "Exchange Act"), effective July 18, 2008. As a result, Freddie Mac files annual, quarterly and current reports, proxy statements and other information with the SEC. Any document that Freddie Mac files with the SEC may be read and copied at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. These SEC filings are also available to the public from the SEC's web site at <http://www.sec.gov>.

**Section 5.2. *Notice of Certain Events.*** The Trustee shall promptly give notice by facsimile or electronic transmission to Freddie Mac at (571) 382-4798, if by facsimile transmission, or the Freddie Mac Trustee E-mail Account, if by electronic transmission, of (i) the occurrence of any Event of Default under the Indenture or any event which, with the passage of

time or service of notice, or both, would constitute an Event of Default thereunder of which the Trustee has actual knowledge, specifying the action taken or proposed to be taken with respect to such event, and (ii) each proposed redemption of Bonds and the amount thereof, in writing, not later than 20 days (or as soon as practicable after receiving notice or other information that such a redemption is expected to occur, if such proposed redemption is to be effected with less than 20 days' prior notice in accordance with the Indenture) prior to such redemption, other than scheduled mandatory sinking fund redemptions.

**Section 5.3. *Amendment of Documents.*** So long as no Event of Default hereunder shall have occurred and be continuing, the Trustee will not amend or modify, or consent to any amendment or modification of any Bond Financing Document without the prior written consent of Freddie Mac.

**Section 5.4. *Replacement of Servicer.*** The Trustee acknowledges that, under certain circumstances set forth in the Guide, Freddie Mac shall have the right to terminate the Servicer's servicing of the Bond Mortgage Loan and to transfer the servicing of the Bond Mortgage Loan to a successor servicer in accordance with the Guide. Freddie Mac will promptly notify the Trustee upon termination of the Servicer and the appointment of a successor servicer.

**Section 5.5. *Wiring Information.*** All payments under this Agreement may be made by means of wire transfer of funds to the Trustee to the following account or such other account as the Trustee may specify in writing from time to time:

Name of Bank:	M&T Bank
Location of Bank (City and State)	Baltimore, Maryland
ABA Routing Number:	022000046
Account Number:	3088001950200
A/C Name:	Trust Division
f/f/c:	CDA Cumberland Arms
Attn:	Nancy Hagner 410-244-4223

## ARTICLE VI

### DEFAULT AND REMEDIES

**Section 6.1. *Events of Default.*** Any one or more of the following acts or occurrences shall constitute an Event of Default hereunder:

(a) Failure by Freddie Mac to pay any amounts due under Section 3.1 or 3.2 when due; or

(b) Failure by Freddie Mac to perform or observe any of its covenants, agreements or obligations hereunder, except a failure described in (a) above, if the same shall remain uncured for a period of 45 days after written notice of such failure shall have been given by the Trustee to Freddie Mac; provided, however, that if such default is

curable but requires acts to be done or conditions to be remedied which, by their nature, cannot be done or remedied within such 45-day period, no Event of Default shall be deemed to have occurred if Freddie Mac shall commence such acts or remedies within such 45-day period and thereafter, in the opinion of the Trustee, diligently pursue the same to completion; or

(c) any governmental authority shall require Freddie Mac to suspend its operations for more than three (3) Business Days (unless such requirement is applicable to corporate instrumentalities or financial institutions generally in the United States), or require the sale or transfer of all or substantially all of the assets of Freddie Mac.

**Section 6.2. Remedies of Trustee.** Upon the occurrence and continuance of any Event of Default by Freddie Mac hereunder, unless such Event of Default has been cured, the Trustee may take any one or more of the following steps, at its option:

(a) by action at law or in equity, require Freddie Mac to perform its covenants and obligations hereunder, or enjoin any acts which may be unlawful or in violation of the rights of the Trustee; and

(b) take whatever other action at law or in equity may appear necessary or desirable to enforce any monetary obligation of Freddie Mac hereunder, or to enforce any other obligations, covenant or agreement of Freddie Mac hereunder.

The above provisions are subject to the condition that if, after any Event of Default hereunder, all amounts which would then be payable hereunder by Freddie Mac if such Event of Default had not occurred and were not continuing, shall have been paid by or on behalf of Freddie Mac, and Freddie Mac shall have also performed all other obligations in respect of which it is then in default hereunder to the satisfaction of the Trustee, then such Event of Default may be waived and annulled, but no such waiver or annulment shall extend to or affect any subsequent Event of Default or impair any consequent right or remedy.

**Section 6.3. Remedies Not Exclusive.** No remedy conferred in this Agreement or reserved to the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

**Section 6.4. Restoration of Rights and Remedies.** If the Trustee shall have instituted any proceeding to enforce any right or remedy under this Agreement and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the party instituting such proceeding, then and in every such case Freddie Mac, and the Trustee shall, subject to any determination in such proceeding, be restored to their former positions hereunder and thereafter all rights and remedies of the Trustee shall continue as though no such proceeding had been instituted.

## ARTICLE VII

### MISCELLANEOUS PROVISIONS

**Section 7.1. *Interest of Bondholders.*** The payments to be made by Freddie Mac hereunder are to be pledged by the Trustee to secure payment of the principal or redemption price of and interest on the Bonds (including the Purchase Price in connection with any purchase in lieu of redemption pursuant to Section 3.06 of the Indenture).

**Section 7.2. *Amendment.*** This Agreement shall be amended only by an instrument in writing executed on behalf of the parties by their duly authorized representatives.

**Section 7.3. *No Individual Liability.*** No covenant or agreement contained in this Agreement shall be deemed to be the covenant or agreement of any member of the Board of Directors of Freddie Mac or any officer, agent, employee or representative of Freddie Mac, or the Trustee, in his or her individual capacity and none of such persons shall be subject to any personal liability or accountability by reason of the execution of this Agreement, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty, or otherwise.

**Section 7.4. *Notices.*** All notices, certificates and other written communications shall be sufficiently given and shall be deemed to be given (unless another form of notice shall be specifically set forth in this Agreement) on the Business Day following the date on which the same shall have been delivered to a national overnight delivery service (receipt of which to be evidenced by a signed receipt for overnight delivery service) with arrangements made for payment of all charges for next business day delivery, addressed as follows (provided that any of such addresses may be changed at any time upon written notice of such change sent, as provided in this Section, to the other party):

To Freddie Mac:       Federal Home Loan Mortgage Corporation  
8100 Jones Branch Drive, MS B4F  
McLean, Virginia 22102  
Attention:       Director of Multifamily Loan Servicing  
Facsimile:       (703) 714-3003  
Telephone:       (703) 903-2000

with a copy to:

Federal Home Loan Mortgage Corporation  
8200 Jones Branch Drive, MS 210  
McLean, Virginia 22102  
Attention:       Managing Associate General Counsel – Multifamily  
Legal Division  
E-mail:       Timothy\_Oneill@freddiemac.com  
Facsimile:       (703) 903-2885  
Telephone:       (703) 903-2000

with a copy to:

Federal Home Loan Mortgage Corporation  
8100 Jones Branch Drive, MS B2E  
McLean, Virginia 22102  
Attention: Multifamily Operations - Loan Accounting  
E-mail: mfla\_trustees@freddiemac.com  
Trustee Hotline: (703) 714-4177

To the Trustee: Manufacturers and Traders Trust Company  
Mail Code MD2-CS58  
25 South Charles Street  
Baltimore, Maryland 21201  
Attention: Corporate Trust Department  
Facsimile: 410-244-4236  
Telephone: 410-244-4223  
E-mail: nhagner@wilmingtontrust.com

Notwithstanding anything herein to the contrary, copies of account statements shall be sent to the attention of Freddie Mac's Director of Multifamily Loan Accounting at the above address.

**Section 7.5. *Governing Law.*** This Agreement shall be construed, and the rights and obligations of Freddie Mac and the Trustee hereunder determined in accordance with federal statutory or common law ("federal law"). Insofar as there may be no applicable rule or precedent under federal law and insofar as to do so would not frustrate the purposes of any provision of this agreement, the local law of the Commonwealth of Virginia shall be deemed reflective of federal law. The parties agree that any legal actions between Freddie Mac and the Trustee regarding each party hereunder shall be originated in the United States District Court in and for the Eastern District of Virginia, and the parties hereby consent to the jurisdiction and venue of said Court in connection with any action or proceeding initiated concerning this Agreement.

**Section 7.6. *Severability.*** The invalidity or unenforceability of any provision of this Agreement shall not affect the validity of any other provision, and all other provisions shall remain in full force and effect.

**Section 7.7. *Multiple Counterparts.*** This Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument and each of which shall be, and shall be deemed to be, an original.

**Section 7.8. *Successor Trustee.*** This Agreement and all of the rights and obligations of the Trustee in this Agreement shall be automatically transferred and assigned to a successor Trustee appointed or acting pursuant to the Indenture.

**Section 7.9. Assignment.** Except as provided in Section 7.8 hereof, this Agreement and the rights of the Trustee created hereby may not be assigned or transferred by the Trustee.

**Section 7.10. Acceptance.** The Trustee accepts the duties imposed upon it by this Agreement and agrees to perform those duties but only upon and subject to the following express terms and conditions:

(a) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Agreement and no implied covenants or obligations shall be read into this Agreement against the Trustee;

(b) as to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceedings, the Trustee shall be entitled to rely in good faith upon a certificate purportedly signed by an authorized signatory of Freddie Mac as sufficient evidence of the facts contained in such certificate;

(c) the permissive right of the Trustee to do things enumerated in this Agreement shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct;

(d) none of the provisions contained in this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under this Agreement except for any liability of the Trustee arising from its own negligence or willful misconduct;

(e) the Trustee is entering into this Agreement solely in its capacity as Trustee under the Indenture and not in its individual or corporate capacity; and

(f) all of the provisions of the Indenture related to the duties, obligations, standard of care, protections and immunities from liability afforded the Trustee under the Indenture shall apply to the Trustee under this Agreement.

[Signatures follow]

**IN WITNESS WHEREOF**, the parties hereto have caused this Credit Enhancement Agreement to be duly executed by their duly authorized officers or representatives.

**FEDERAL HOME LOAN MORTGAGE CORPORATION**

By: \_\_\_\_\_  
D. Edward Greene  
Director



**MANUFACTURERS AND TRADERS  
TRUST COMPANY, as Custodian**

By: \_\_\_\_\_  
Nancy E. Hagner  
Assistant Vice President

**EXHIBIT A**

**FORM OF NOTICE UNDER SECTION 3.1(a)(i)**

Federal Home Loan Mortgage Corporation  
8100 Jones Branch Drive, MS B2E  
McLean, Virginia 22102  
Attention: Multifamily Operations - Loan Accounting  
Facsimile: (571) 382- 4798

Project Name: Cumberland Arms Apartments

Related Bonds: \$6,315,000 Community Development Administration Maryland  
Department of Housing and Community Development Multifamily  
Development Revenue Bonds (Cumberland Arms Apartments) Series  
2015 D

CUSIP Numbers: See Attached Schedule 1 to Exhibit A

Loan No.: 708232450 (Construction), 708246281 (Gap) and 708246273 (Permanent)

Date of Notice: \_\_\_\_\_

**CERTIFICATE FOR THE PAYMENT OF GUARANTEED PAYMENT**

**under Section 3.1(a)(i) of Credit Enhancement Agreement  
between Freddie Mac and the undersigned, as Trustee, dated  
as of September 1, 2015 relating to the Bond Mortgage Loan  
securing the Bonds referenced above**

Bond Mortgage Payment Date: \_\_\_\_\_, \_\_\_\_

Funds on deposit in the Project Account of the Bond Mortgage Loan Fund: \$ \_\_\_\_\_<sup>1</sup>

Guaranteed Payment: \$ \_\_\_\_\_

**NOTICE** is hereby given that on the Mortgage Payment Date set forth above, a Freddie Mac Credit Enhancement Payment in the amount equal to the Guaranteed Payment, of which amount (1) \$ \_\_\_\_\_ represents the Interest Component, of which \$ \_\_\_\_\_ represents interest payable on the Mortgage Loan and \$ \_\_\_\_\_ represents the monthly Issuer Fee that is due and (2) \$ \_\_\_\_\_ represents the Principal Component, is due. The amount of the Guaranteed Payment has been determined pursuant to the above-referenced Credit Enhancement Agreement.

<sup>1</sup> If funds on deposit in the Project Account of the Bond Mortgage Loan Fund exceed the accrued interest on the Bond Mortgage Loan and there is no Principal Component due with respect to such Guaranteed Payment, the amount of the Guaranteed Payment shall be zero.

**REQUEST** is hereby made for payment by Freddie Mac of such Freddie Mac Credit Enhancement Payment in accordance with the Credit Enhancement Agreement.

**MANUFACTURERS AND TRADERS TRUST COMPANY**, as Trustee

Authorized Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**SCHEDULE 1 TO EXHIBIT A**

**MATURITIES AND CUSIPS**

<b>Maturity</b>	<b>CUSIP</b>
September 1, 2017	57419RVS1
March 1, 2018	57419RUZ6
September 1, 2018	57419RVA0
March 1, 2019	57419RVB8
September 1, 2019	57419RVC6
March 1, 2020	57419RVD4
September 1, 2020	57419RVE2
March 1, 2021	57419RVF9
September 1, 2021	57419RVG7
March 1, 2022	57419RVH5
September 1, 2022	57419RVJ1
March 1, 2023	57419RVK8
September 1, 2023	57419RVL6
March 1, 2024	57419RVM4
September 1, 2024	57419RVN2
March 1, 2025	57419RVP7
September 1, 2025	57419RVQ5
September 1, 2032	57419VR3

**EXHIBIT B**

**FREDDIE MAC MULTIFAMILY**

**BOND WIRE INSTRUCTION CHANGE REQUEST FORM**

<i>Freddie Mac Internal Use:</i>			
_____		_____	
Loan Accounting Approval	Date	MF Operations Approval	Date

*Bond Trustee* – Please complete all required (\*) fields. This wire instruction change applies only to the Freddie Mac loan number(s) referenced below.

**A. Trustee's Prior Wire Instructions:**

**Bond Property Name (Beneficiary):** \_\_\_\_\_

**\*Freddie Mac Loan Number(s):** \_\_\_\_\_

**\*Bank Name:** \_\_\_\_\_

**\*Bank City:** \_\_\_\_\_

**\*Bank State:** \_\_\_\_\_

**\*ABA Number:** \_\_\_\_\_

**\*Account Number:** \_\_\_\_\_

Further Credit Instructions:

**Name of Final Credit Party:** \_\_\_\_\_

**Final Credit Party Account Number:** \_\_\_\_\_

**B. Trustee's New Wire Instructions:**

**Bond Property Name:** \_\_\_\_\_

**\*Freddie Mac Loan Number(s):** \_\_\_\_\_

**\*Bank Name:** \_\_\_\_\_

**\*Bank City:** \_\_\_\_\_

**\*Bank State:** \_\_\_\_\_

**\*ABA Number:** \_\_\_\_\_

**\*Account Number:** \_\_\_\_\_

Further Credit Instructions:

**Name of Final Credit Party:** \_\_\_\_\_

**Final Credit Party Account Number:** \_\_\_\_\_

**Effective Date of Notice:** \_\_\_\_\_, *which date is at least five (5) Business Days after the date of this notice.*

As of the Effective Date set forth above, all wires of funds to the Trustee for the above-referenced Freddie Mac loan number(s) pursuant to the Wire Request System shall be transmitted using the new wire instructions set forth in this notice.

[EXHIBIT B CONTINUES ON FOLLOWING PAGE]

**C. Trustee Authorized Signature:**

Each of the undersigned hereby represents and warrants to Freddie Mac that he/she is a duly appointed officer of the Trustee who is duly authorized to disseminate the Trustee's wire instructions, all of which is evidenced by either (i) resolutions (in full force and effect on the date of the execution of this form) of the board of directors of the Trustee, a true, complete and correct copy of which is attached as Schedule A hereto, or (ii) an Incumbency Certificate (in full force and effect on the date of the execution of this form) in the form attached hereto as Schedule 2, which has been signed and sealed by the corporate Secretary or Assistant Secretary of the Trustee, a true, complete and correct copy of which is attached hereto.

Trustee Name: \_\_\_\_\_

Date: \_\_\_\_\_

Name	Position/Title	Signature
Address		City, State and Zip Code
Telephone	Fax	E-mail

Name	Position/Title	Signature
Address		City, State and Zip Code
Telephone	Fax	E-mail

[Insert other Authorized Persons, as needed.]

**NOTE: PROVIDE A NOTARY PANEL FOR EACH AUTHORIZED PERSON INDICATED ABOVE.**

STATE OF \_\_\_\_\_ )

: ss

CITY/COUNTY OF \_\_\_\_\_ )

On the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me, the undersigned notary public, personally appeared \_\_\_\_\_, who is personally known to me, or who proved to me on the basis of satisfactory evidence that he/she is the individual whose name is subscribed to the within instrument, and he/she acknowledged to me that he/she executed the same in his/her capacity as the \_\_\_\_\_ of \_\_\_\_\_.

[Seal]

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )

: ss

CITY/COUNTY OF \_\_\_\_\_ )

On the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me, the undersigned notary public, personally appeared \_\_\_\_\_, who is personally known to me, or who proved to me on the basis of satisfactory evidence that he/she is the individual whose name is subscribed to the within instrument, and he/she acknowledged to me that he/she executed the same in his/her capacity as the \_\_\_\_\_ of \_\_\_\_\_.

[Seal]

\_\_\_\_\_  
Notary Public

\* This form is to be delivered to: Freddie Mac Multifamily, Loan Accounting Manager, 8100 Jones Branch Drive, Mail Stop B4Q, McLean, VA 22102 via overnight mail service.

**SCHEDULE 2**

to

Bond Wire Instruction Change Request Form

**[INSTRUCTIONS: CORPORATE SECRETARY, PLEASE REMOVE THIS PAGE AND ATTACH AS EXHIBIT "A" THE BOARD RESOLUTION REFERENCED ABOVE USING THE EXAMPLE BELOW.]**

**EXAMPLE OF CORPORATE RESOLUTION:**

BOARD OF DIRECTORS  
OF  
MANUFACTURERS AND TRADERS TRUST COMPANY

DATE: \_\_\_\_\_

WHEREAS, the Board of Directors (the "Board") of Manufacturers and Traders Trust Company (the "Corporation") is adopting the following Resolution to amend, restate, assign or reassign general delegations of authority regarding its management with respect to subject matters not otherwise covered by specific Resolutions of the Board.

NOW, THEREFORE, BE IT RESOLVED that the individuals listed below are fully authorized and empowered to establish accounts in any bank or financial or depository institution in the name and on behalf, of Manufacturers and Traders Trust Company; to make deposits in, charge, transfer funds to, or withdraw funds from such accounts by checks, drafts, wire transfers, or other instruments or orders customarily used for the payment of accounts or the transfer of funds, including the proceeds of mortgages; and to make, execute, and deliver, wire transfer instructions or Automated Clearing House (ACH) instructions (if applicable) in writing or by electronic means, including any and all written instruments necessary or proper to effectuate the authority hereby conferred; and that any such actions heretofore taken by any of the following persons on behalf of Manufacturers and Traders Trust Company are hereby ratified, approved, and confirmed.

**[The Resolution should set forth either: (i) designated individuals by their names and their titles or (ii) categories of authorized employees (for example: Senior Vice Presidents, Vice Presidents, Treasurers, etc.)]**

By the Board of Directors

\_\_\_\_\_  
[Typed Name], Secretary/Assistant Secretary

[ATTACH CORPORATE SEAL]



**SCHEDULE 1**

**to**

**Bond Wire Instruction Change Request Form**

**INCUMBENCY CERTIFICATE**

The undersigned hereby certifies to the Federal Home Loan Mortgage Corporation ("Freddie Mac") that I am the [Secretary / Assistant Secretary] of Manufacturers and Traders Trust Company (the "Trustee"), a \_\_\_\_\_, duly organized and existing under the laws of \_\_\_\_\_, and that, as such, I am duly authorized to execute this Incumbency Certificate on behalf of the Trustee; and I further certify that each of the following persons, as of the date hereof, holds the office of the Trustee set opposite his or her name below, and that each such person is duly authorized to disseminate the Trustee's wire instructions.

Name: \_\_\_\_\_  
Name: \_\_\_\_\_  
Name: \_\_\_\_\_  
Name: \_\_\_\_\_

Title: \_\_\_\_\_  
Title: \_\_\_\_\_  
Title: \_\_\_\_\_  
Title: \_\_\_\_\_

WITNESS the official seal of the Trustee and the signature of the undersigned this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**[ATTACH THE CORPORATE SEAL]**

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: [Secretary / Assistant Secretary]

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX C**

**FORM OF BOND COUNSEL OPINION**

[Closing Date]

Community Development Administration  
Maryland Department of Housing and  
Community Development  
7800 Harkins Road  
Lanham, MD 20706

**COMMUNITY DEVELOPMENT ADMINISTRATION  
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

**\$6,315,000  
Multifamily Development Revenue Bonds  
(Cumberland Arms Apartments)  
Series 2015 D**

Ladies and Gentlemen:

We have acted as Bond Counsel to the Community Development Administration (the "Administration"), a unit of the Division of Development Finance of the Department of Housing and Community Development (the "Department"), a principal department of the State of Maryland (the "State"), in connection with the issuance and sale of \$6,315,000 aggregate principal amount of its Multifamily Development Revenue Bonds (Cumberland Arms Apartments) Series 2015 D (the "Bonds").

The Bonds are being issued under and pursuant to (a) Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the "Act"); and (b) a Trust Indenture dated as of September 1, 2015 (the "Indenture"), by and between the Administration and Manufacturers and Traders Trust Company, as trustee. The Director of the Administration determined, pursuant to Section 4-245(a) of the Act, that the issuance of the Bonds is necessary to achieve one or more purposes of the Administration, and such determination was approved by the Secretary of the Department. Capitalized terms used in this opinion and not otherwise defined in this opinion shall have the meanings set forth in the Indenture or the Act.

Based upon the foregoing, we are of the opinion that:

- (i) Under the Constitution and laws of the State, the Act is valid and the Administration has been duly created and validly exists as a unit of the Division of Development Finance of the Department with such political and corporate powers as set forth in the Act and with good, right and lawful authority, among other things, to carry out the Program of financing multifamily residential rental facilities, to issue the Bonds to provide funds therefor and to perform its obligations under the terms and conditions of the Indenture.
- (ii) The Indenture has been duly authorized, executed and delivered by the Administration and approved by the Secretary and is valid and binding upon the Administration and is enforceable in accordance with its terms.

(iii) The Bonds are valid and legally binding limited obligations of the Administration secured by a pledge in the manner and to the extent set forth in the Indenture and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Indenture. The Indenture creates the valid pledge of and the valid lien which it purports to create upon the Revenues and other assets and income described in the Indenture, subject only to the provisions of the Indenture permitting the use and payment thereof for or to the purposes and on the terms and conditions set forth in the Indenture.

(iv) Under existing law, interest on the Bonds is excludable from gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any Bond for any period during which such Bond is held by a person who is a "substantial user" of the facilities financed with the proceeds of the Bonds or a "related person" within the meaning of Section 147(a) of the Code. Furthermore, interest on the Bonds is not a specific preference item or included in adjusted current earnings for purposes of the federal alternative minimum tax.

(v) Under existing statutes, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, are exempt from taxation of every kind and nature whatsoever by the State of Maryland, except that no opinion is expressed with respect to any exemption from Maryland estate or inheritance taxes.

The foregoing opinion is qualified only to the extent that the enforceability of the Bonds and the Indenture may be limited by bankruptcy, moratorium, insolvency, or other laws affecting creditors' rights or remedies generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We express no opinion regarding any other Federal or state tax consequences with respect to the Bonds. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason.

Very truly yours,

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

[THIS PAGE INTENTIONALLY LEFT BLANK]

## CONTINUING DISCLOSURE AGREEMENT

\$6,315,000

**COMMUNITY DEVELOPMENT ADMINISTRATION  
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT  
MULTIFAMILY DEVELOPMENT REVENUE BONDS  
(CUMBERLAND ARMS APARTMENTS)  
SERIES 2015 D**

This Continuing Disclosure Agreement (this “Agreement”) dated as of September 1, 2015, by and between Hampstead Cumberland Arms Partners II, L.P., a Maryland limited partnership (the “Borrower”), and Manufacturers and Traders Trust Company, as dissemination agent (the “Dissemination Agent”) under the Trust Indenture dated as of September 1, 2015 (the “Trust Indenture”), between the Community Development Administration Maryland Department of Housing and Community Development (the “Administration”) and Manufacturers and Traders Trust Company, as trustee, is executed and delivered in connection with the issuance by the Administration of its Multifamily Development Revenue Bonds (Cumberland Arms Apartments), Series 2015 D (the “Bonds”). Capitalized terms used in this Agreement which are not otherwise defined in the Trust Indenture shall have the respective meanings specified above or in Article IV hereof.

### ARTICLE I

#### The Undertaking

**Section 1.1. Purpose.** This Agreement is being executed and delivered by the Borrower solely to assist in compliance with the Rule.

**Section 1.2. Annual Financial Information.** (a) The Borrower shall provide Annual Financial Information with respect to each fiscal year of the Borrower, commencing with fiscal year 2015, by no later than five Business Days prior to the date which is 90 days after the end of each fiscal year, to the Dissemination Agent. The Dissemination Agent shall provide such Annual Financial Information to (i) the MSRB and (ii) the Administration, in each case within five Business Days after receipt by the Dissemination Agent.

(b) The Dissemination Agent shall provide, in a timely manner, notice of any failure of the Borrower to provide the Annual Financial Information by the date specified in subsection (a) above to (i) the MSRB and (ii) the Administration.

**Section 1.3. Audited Financial Statements.** If Audited Financial Statements are not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof because they are not available by the date set forth in Section 1.2(a), the Borrower shall provide Audited Financial Statements, when and if available, to the Dissemination Agent. The Dissemination Agent shall provide any such Audited Financial Statements to (i) the MSRB and (ii) the Administration, in each case within five Business Days after receipt by the Dissemination Agent.

**Section 1.4. Listed Event Notices.** (a) If a Listed Event occurs, the Borrower shall provide, in a timely manner, not in excess of seven (7) Business Days after the occurrence of such Listed Event, notice of such Listed Event to the Dissemination Agent. The Dissemination Agent shall provide such notice to the MSRB within three Business Days after receipt by the Dissemination Agent of such notice from the Borrower.

(b) Any notice of a defeasance of Bonds provided by the Borrower to the Dissemination Agent shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

**Section 1.5. Additional Disclosure Obligations.** The Borrower acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Borrower and that, under some circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Borrower under such laws.

**Section 1.6. Additional Information.** Nothing in this Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Listed Event hereunder, in addition to that which is required by this Agreement. If the Borrower chooses to include any information in any Annual Financial Information or Listed Event notice in addition to that which is specifically required by this Agreement, the Borrower shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Listed Event hereunder.

## ARTICLE II

### Operating Rules

**Section 2.1. Reference to Other Documents.** It shall be sufficient for purposes of Section 1.2 hereof if the Borrower provides Annual Financial Information by specific reference to documents (i) that have been filed with the MSRB on its EMMA website or filed with the SEC, or (ii) if such document is a “final official statement” as defined in paragraph (f)(3) of the Rule, available from the MSRB on its EMMA website.

**Section 2.2. Submission of Information.** Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time. All Annual Financial Information, Audited Financial Statements and Listed Event notices provided to the Dissemination Agent by the Borrower shall be in an electronic format and accompanied by identifying information as prescribed by the MSRB and any such information that is not provided in such format shall not be deemed to be received by the Dissemination Agent hereunder.

**Section 2.3. Listed Event Notices.** Each notice of a Listed Event provided by the Borrower to the Dissemination Agent hereunder shall indicate that it is a notice of a Listed Event and shall include the CUSIP numbers of the Bonds.



**Section 2.4. Resignation and Removal of Dissemination Agent.** The Borrower may, from time to time, remove the Dissemination Agent and appoint or engage a new dissemination agent to assist it in carrying out its obligations under this Disclosure Agreement. The Dissemination Agent may resign by giving 30 days' notice of such resignation to the Borrower and the Administration.

**Section 2.5. Transmission of Information and Notices.** Unless otherwise required by law and, in the Dissemination Agent's sole determination, subject to technical and economic feasibility, the Dissemination Agent shall employ such methods of information and notice transmission under this Agreement as shall be required by the MSRB or the Administration.

**Section 2.6. Fiscal Year.** (a) The Borrower's current fiscal year ends December 31, 2015, and the Borrower shall promptly notify the Dissemination Agent in writing of each change in its fiscal year. The Dissemination Agent shall provide such notice to (i) the MSRB and (ii) the Administration, in each case within five Business Days after receipt by the Dissemination Agent of such notice.

(b) Annual Financial Information shall be provided by the Borrower to the Dissemination Agent at least annually notwithstanding any fiscal year longer than 12 calendar months.

**Section 2.7. Direction by Borrower.** The execution and delivery of this Agreement by the Borrower shall constitute a direction by the Borrower to the Dissemination Agent to provide the Annual Financial Information, Audited Financial Statements (or unaudited financial statements) and Listed Event notices to the MSRB and the Administration as set forth herein and the Borrower hereby consents thereto.

### ARTICLE III

#### Effective Date, Termination, Amendment and Enforcement

##### Section 3.1. Effective Date; Termination.

(a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The Borrower's and the Dissemination Agent's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that the Borrower (1) delivers to the Dissemination Agent an opinion of Counsel, addressed to the Administration and the Dissemination Agent, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) the Dissemination Agent delivers copies of such opinion to (i) the MSRB and (ii) the Administration. The Dissemination Agent shall so deliver such opinion within two Business Days after receipt by the Dissemination Agent.

### **Section 3.2. Amendment.**

(a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Borrower or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Borrower shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the Borrower and the Dissemination Agent, to the same effect as set forth in clause (2) above, (4) either (i) the Borrower shall have delivered to the Dissemination Agent an opinion of Counsel or a determination by a person, in each case unaffiliated with the Borrower (such as bond counsel) and acceptable to the Borrower, as the case may be, addressed to the Borrower, the Administration and the Dissemination Agent, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Trust Indenture with consent of holders of Bonds pursuant to the Trust Indenture as in effect on the date of this Agreement, and (5) the Dissemination Agent shall have delivered copies of such opinion(s) and amendment to (i) the MSRB and (ii) the Administration. The Dissemination Agent shall so deliver such opinion(s) and amendment within two Business Days after receipt by the Dissemination Agent.

(b) In addition to subsection (a) above, this Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the Borrower shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the Borrower, the Administration and the Dissemination Agent, to the effect that performance by the Borrower and Dissemination Agent under this Agreement as so amended will not result in a violation of the Rule and (3) the Dissemination Agent shall have delivered copies of such opinion and amendment to the MSRB. The Dissemination Agent shall so deliver such opinion and amendment within two Business Days after receipt by the Dissemination Agent.

(c) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter by the Borrower to the Dissemination Agent shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the Borrower in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison

shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

**Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement.**

(a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and subsection (b) of this Section.

(b) The obligations of the Borrower to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Bonds, or by the Dissemination Agent on behalf of the holders of Outstanding Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Dissemination Agent on behalf of the holders of Outstanding Bonds; provided, however, that the Dissemination Agent shall not be required to take any enforcement action except at the direction of the holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Dissemination Agent with adequate security and indemnity. The holders' and Dissemination Agent's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance by the Borrower of the Borrower's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the Borrower or the Dissemination Agent to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Trust Indenture or the Financing Agreement, and the rights and remedies provided by the Trust Indenture and the Financing Agreement upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

**ARTICLE IV**

**Definitions**

**Section 4.1. Definitions.** The following terms used in this Agreement shall have the following respective meanings:

(1) “Annual Financial Information” means, collectively, (i) updated versions of the financial information and operating data contained in the caption entitled “THE PROJECT AND THE PRIVATE PARTICIPANTS” in the Official Statement, if any, for each fiscal year of the Borrower, (ii) Audited Financial Statements, if available, or Unaudited Financial Statements if Audited Financial Statements are not available, and (iii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(c) and (d) of this Agreement.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) “Audited Financial Statements” means the annual financial statements, if any, of the Borrower, audited by such auditor as shall then be required or permitted by State law or the Trust Indenture. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Section 3.2(a) hereof, the Borrower may from time to time, if required by Federal or State legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(d) hereof shall include a reference to the specific Federal or State law or regulation describing such accounting principles, or other description thereof.

(3) “Counsel” means nationally recognized bond counsel or counsel expert in federal securities laws, acceptable to the Borrower and the Dissemination Agent.

(4) “GAAP” means generally accepted accounting principles as prescribed from time to time by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(5) “Listed Event” means any of the following events with respect to the Bonds, whether relating to the Borrower or otherwise:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other

material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

- (vii) modifications to rights of Bond holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Borrower;<sup>1</sup>
- (xiii) the consummation of a merger, consolidation or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(6) “MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (“EMMA”) website of the MSRB, currently located at <http://emma.msrb.org>.

(7) “Official Statement” means the Official Statement dated August \_\_\_\_, 2015 relating to the Bonds.

(8) “Rule” means Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

(9) “SEC” means the United States Securities and Exchange Commission.

(10) “State” means the State of Maryland.

---

<sup>1</sup> For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borrower.

(11) “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

## **ARTICLE V**

### **Miscellaneous**

#### **Section 5.1. Duties, Immunities and Liabilities of Dissemination Agent.**

(a) The Dissemination Agent shall have no obligation to make disclosure about the Bonds or the Borrower except as expressly provided herein and shall have no duty to review the Annual Financial Information and Listed Event notices provided by the Borrower pursuant to this Agreement to determine if they comply with the requirements of this Agreement; provided that nothing herein shall limit the duties or obligations of the Dissemination Agent, as Trustee, under the Trust Indenture or the duties of the Borrower under the Financing Agreement. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Borrower, apart from the relationship created by the Trust Indenture or the Financing Agreement, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except in its capacity as Trustee under the Trust Indenture or except as may be provided by written notice from the Borrower. Nothing in this Agreement shall be construed to mean that the Dissemination Agent is an “obligated person” under the Rule.

(b) In its actions under this Agreement, the Dissemination Agent is acting not as Trustee but as the Borrower’s agent; provided that the Dissemination Agent shall be entitled to the same protection in so acting under this Agreement as it has in acting as Trustee under the Trust Indenture.

(c) The Borrower shall pay or reimburse the Dissemination Agent for its actual and reasonable fees and expenses for the Dissemination Agent’s services rendered in accordance with this Agreement as provided in the Financing Agreement.

(d) In addition to any and all rights of the Dissemination Agent to reimbursement, indemnification and other rights pursuant to the Trust Indenture or the Financing Agreement or under law or equity, the Borrower shall indemnify and hold harmless the Dissemination Agent and its officers, directors, employees and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including attorney fees) which such indemnified party may incur by reason of or in connection with the Dissemination Agent’s performance under this Agreement; provided that the Borrower shall not be required to indemnify the Dissemination Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Dissemination Agent in such disclosure of information hereunder. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**Section 5.2. Counterparts.** This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 5.3. No Personal Liability.** No member, officer, director or employee of the Borrower, past present or future, shall have any personal liability on the Bonds or under this Agreement or be subject to any personal liability or accountability by reason of the issuance of the Bonds or the undertaking set forth herein under any constitutional provision, statute, or rule of law or by the enforcement of any assessment or penalty or otherwise.

**Section 5.4. Notices.** Any notices or communications given under this Agreement shall be given in accordance with Section 8.1 of the Financing Agreement.

**Section 5.5. Severability.** If any provision hereof shall be held invalid or unenforceable by a court of competent jurisdiction, the remaining provisions hereof shall survive and continue in full force and effect.

[SIGNATURES ON NEXT PAGE]

**IN WITNESS WHEREOF**, the parties have each caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

MANUFACTURERS AND TRADERS TRUST  
COMPANY, as Dissemination Agent

By: \_\_\_\_\_  
Nancy E. Hagner  
Assistant Vice President

HAMPSTEAD CUMBERLAND ARMS  
PARTNERS II, L.P., a Maryland limited  
partnership, managing general partner

By: Hampstead Arms II, LLC, a Maryland limited  
liability company, its managing general  
partner

By: Hampstead Partners, Inc., a  
California corporation, its member

By: \_\_\_\_\_  
Greg Gossard  
Secretary

[SIGNATURE PAGE TO CONTINUING DISCLOSURE AGREEMENT]



[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]



Printed by: ImageMaster, LLC  
[www.imagemaster.com](http://www.imagemaster.com)

CERTIFICATE OF FEDERAL HOME LOAN MORTGAGE CORPORATION

Relating to certain information  
contained in the  
Official Statement  
for


\$6,315,000  
Community Development Administration  
Maryland Department of Housing and Community Development  
Multifamily Development Revenue Bonds  
(Cumberland Arms Apartments)  
Series 2015 D

September 3, 2015

This Certificate of Federal Home Loan Mortgage Corporation ("Freddie Mac") is being executed and delivered on behalf of Freddie Mac by the undersigned, an authorized officer of Freddie Mac. The undersigned certifies, on behalf of Freddie Mac, that the attached information regarding Freddie Mac is accurate and may be included in the Official Statement for the Bonds as described above.

IN WITNESS WHEREOF, Freddie Mac has caused this Certificate to be duly executed by its duly authorized officer or representative as of the date first written above.

**FEDERAL HOME LOAN MORTGAGE  
CORPORATION**, as Freddie Mac

By:   
D. Edward Greene  
Director

## FREDDIE MAC

The information under this heading has been provided solely by Freddie Mac and has not been independently verified by the Administration, the Trustee, the Borrower, the Underwriters, the Servicer or any of their respective counsel, members, officers or employees or Bond Counsel. No representations whatsoever as to the accuracy, adequacy, or completeness of such information is made by the Administration, the Trustee, the Borrower, the Underwriters, the Servicer or any of their respective counsel, members, officers or employees or Bond Counsel. The information is qualified in its entirety by reference to the Incorporated Documents, as defined below.

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

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

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

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

statements) and Information Statement Supplements (containing periodic updates to the annual Information Statement).

As described below, Freddie Mac incorporates certain documents by reference in this Official Statement, which means that Freddie Mac is disclosing information to you by referring you to those documents rather than by providing you with separate copies. Freddie Mac incorporates by reference in this Official Statement its proxy statement, and all documents that Freddie Mac files with the SEC pursuant to Section 13(a), 13(c) or 14 of the Exchange Act, after July 18, 2008 and prior to the completion of the offering of the related Bonds, excluding any information that Freddie Mac may “furnish” to the SEC but that is not deemed to be “filed.” Freddie Mac also incorporates by reference its Registration Statement on Form 10, in the form declared effective by the SEC on July 18, 2008 (the “Registration Statement”). These documents are collectively referred to as the “Incorporated Documents” and are considered part of this Official Statement. You should read this Official Statement, in conjunction with the Incorporated Documents. Information that Freddie Mac incorporates by reference will automatically update information in this Official Statement. Therefore, you should rely only on the most current information provided or incorporated by reference in this Official Statement.

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

Freddie Mac makes no representations as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility of performance of any project, or compliance with any securities, tax or other laws or regulations. Freddie Mac’s role is limited to discharging its obligations under the Credit Enhancement Agreement.

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