

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel, under existing statutes and court decisions, and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (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, within the meaning of Section 147(a) of the Code is a "substantial user" of the facilities financed with the proceeds of the Bonds or a "related person," and (ii) interest on the Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. In addition, in the opinion of Bond Counsel, under existing law, 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 franchise taxes or estate or inheritance taxes. See "Tax Matters" herein.

\$5,000,000
COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT
Multifamily Development Revenue Bonds
(Washington Gardens)
Series 2005 B

Dated: Date of Delivery

Due: As shown on the inside front cover

The above-captioned Series 2005 B Bonds (the "Bonds") are being issued by the Community Development Administration (the "Issuer" or the "Administration"), an agency in the Division of Development Finance of the Department of Housing and Community Development (the "Department"), a principal department of the government of the State of Maryland, in fully registered form only and, when issued and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Ownership interests in the Bonds may be purchased only in book entry form in denominations of \$5,000 and integral multiples thereof. Purchasers of Bonds will not receive physical certificates representing their ownership interest in such Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Bondholders shall mean Cede & Co. and shall not mean the ultimate purchasers of the Bonds. See "THE BONDS - Book-Entry System" herein.

Interest on the Bonds will be payable semiannually on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing August 1, 2006. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., by Manufacturers and Traders Trust Company (the "Trustee"). Disbursements of such payments to DTC's Participants are the responsibility of DTC.

The Bonds are being issued by the Issuer to provide the funding for a mortgage loan (the "Mortgage Loan") to be made by the Issuer to Washington Gardens Preservation Associates Limited Partnership, a limited partnership organized and existing under the laws of the State of Maryland (the "Borrower"), to provide financing for the acquisition, rehabilitation and equipping of the multifamily rental housing project described herein (the "Project") located in Hagerstown, Maryland, to be occupied, to the extent required by federal tax law or the Issuer, by low to moderate income persons. Such income restrictions are described more fully herein. See "THE BORROWER AND THE PROJECT - Rental Restrictions" herein.

The Bonds are being issued pursuant to a Trust Indenture, dated as of December 1, 2005 (the "Indenture"), between the Issuer and the Trustee. The Mortgage Loan will be made pursuant to a Financing Agreement, dated as of December 1, 2005 (the "Financing Agreement"), among the Issuer, the Trustee and the Borrower.

Payment of the principal of and interest on the Bonds will be secured, to the extent described herein, by the Mortgage Loan and by certain other resources and assets constituting the Trust Estate under the Indenture, all as described herein; in addition, certain required payments due under the Mortgage Note evidencing the Mortgage Loan will be secured, to the extent described herein, by



pursuant to and subject to the limitations of the Standby Credit Enhancement Instrument referenced herein (the "Credit Facility").

The Bonds are subject to mandatory tender for purchase on February 1, 2024 (the "Initial Remarketing Date"). If the Bonds are remarketed on the Initial Remarketing Date, the terms of the Bonds after such date may differ materially from the description provided in this Official Statement. Therefore, prospective purchasers of the Bonds on and after the Initial Remarketing Date cannot rely on this Official Statement, but rather must rely upon any disclosure documents prepared in connection with such remarketing. The purchase price of Bonds tendered for purchase on the Initial Remarketing Date and not remarketed in accordance with the Indenture will be covered by the Credit Facility.

The Bonds are subject to optional, mandatory sinking fund and special mandatory redemption prior to maturity at the times and to the extent described herein. See "THE BONDS Redemption" herein.

The Bonds are special obligations of the Administration, 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 of Maryland, 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.

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

THIS COVER PAGE OF THE OFFICIAL STATEMENT CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A COMPLETE SUMMARY OF THE BONDS. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds are offered for delivery when, as and if issued, and the delivery of the Bonds is subject to the opinion of Hawkins Delafield & Wood LLP, Washington, D.C., Bond Counsel, as to the validity of, and the excludability from gross income for federal income tax purposes of interest on, the Bonds. 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. Certain legal matters will be passed upon for the Borrower by its counsel, Gallagher Evelius & Jones LLP, Baltimore, Maryland. Certain legal matters will be passed upon for the Underwriters by their counsel, Kutak Rock LLP, Atlanta, Georgia. It is expected that the Bonds will be available for delivery to DTC on or about December 14, 2005.

Bear, Stearns & Co. Inc.

Ferris, Baker Watts
Incorporated
November 30, 2005

UBS Financial Services Inc.

AMOUNTS, MATURITIES AND INTEREST RATES*

Term Bonds

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>
February 1, 2008	\$2,390,000	3.65%	100%
August 1, 2015	440,000	4.35%	100%
February 1, 2024	560,000	4.75%	100%
February 1, 2036**	1,610,000	5.00%	100%

** Subject to mandatory tender for purchase on February 1, 2024.

* Preliminary; subject to change.

No dealer, broker, salesperson or other person has been authorized by the Issuer, 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 any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds offered herein, nor shall there be any sale of the Bonds by any person in any jurisdiction in which such offer, solicitation or sale is not authorized or in which the person making such offer, solicitation or sale is not qualified to do so or to any person to whom it is unlawful to make such offer, solicitation or sale.

The information set forth herein has been furnished by the Issuer, the Borrower and other sources which are believed to be reliable, but has not been independently verified, and such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Issuer, the Borrower, Fannie Mae or the Underwriters. The information and expressions of opinion stated herein are subject to change without notice. Accordingly, the delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the information or opinions set forth herein or in the affairs of the Issuer, the Borrower or any other parties described herein since the date hereof.

The Issuer has not and will not assume any responsibility as to the accuracy or completeness of the information contained in this Official Statement (other than information relating to the Issuer) all of which has been furnished by others. The Borrower is solely responsible for information relating to the Borrower, the Project and the Plan of Financing.

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

This Official Statement, including the cover page hereof, is provided for the purpose of setting forth information in connection with the issuance and sale of the Bonds. This Official Statement speaks only as of its date, the information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder may, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Borrower or Fannie Mae since the date hereof. Information in this Official Statement under the heading "THE BORROWER AND THE PROJECT" has been provided by the Borrower, and although the Issuer and the Underwriters have no reason to doubt the accuracy of such information, they and Fannie Mae specifically disclaim any responsibility therefor.

References in this Official Statement to the Indenture, the Financing Agreement, the Regulatory Agreement, the Credit Facility and other documents do not purport to be complete, and reference should be made to such documents for full and complete details of their contents.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATIONS TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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TABLE OF CONTENTS

	Page
INTRODUCTION	1
THE BONDS	4
General	4
Mandatory Tender, Purchase and Remarketing of Bonds	4
Notice	5
Remarketing	5
Conditions	6
Notice of Satisfaction of Conditions Precedent	7
Sale of Bonds if Conditions Precedent are Satisfied	7
Purchase of Bonds if Conditions Precedent are not Satisfied	7
Delivery of Bonds	7
Undelivered Bonds	7
Payment of Accrued Interest; Payment of Principal	7
Optional Redemption	8
Optional Redemption of Bonds Maturing in 2008	8
Optional Redemption of Bonds Maturing in 2015, 2024 and 2036	8
Available Moneys Requirement	8
Special Mandatory Redemption	8
Mandatory Sinking Fund Redemption	9
On or Prior to Initial Remarketing Date	9
Adjustment for Redemptions from other than Sinking Fund Installments	10
Notice of Redemption	10
Revocation of Notice of Redemption; Cancellation of Redemption	11
Redemption Payments	11
Selection of Bonds to be Redeemed upon Partial Redemption of Bonds	12
Purchase of Bonds in Lieu of Redemption	12
Book Entry System	13
SECURITY FOR THE BONDS	13
Pledge of Trust Estate to Secure the Bonds	13
Credit Facility	14
INVESTMENT OF AMOUNTS HELD UNDER THE INDENTURE	15
BONDHOLDERS' RISKS	15
Credit Facility	15
Limited Obligations	16
Bankruptcy of Borrower	16
No Acceleration or Redemption upon Loss of Tax Exemption on the Bonds	16
Failure of Provider of an Investment Agreement to Make Payments Thereunder	17
Performance of the Project	17
Environmental Matters	18
Forward-Looking Statements	18
Enforceability of Remedies	18
Early Redemption	18
Delayed Purchase on Failed Remarketing	19
Interest Ceases to Accrue Upon Declaration of Acceleration	19
FANNIE MAE	19
THE ISSUER	20
General Information	21
Limited Involvement of the Administration	22
THE BORROWER AND THE PROJECT	22
Estimated Sources and Uses of Funds	22
The Borrower	22

The Project.....	23
History of the Project.....	24
Summary of Operations	24
The Developer	25
The Property Manager	25
Rental Restrictions.....	25
The Section 8 Contract	26
THE MORTGAGE NOTE	26
THE LOAN SERVICER	27
THE INDENTURE, FINANCING AGREEMENT AND REGULATORY AGREEMENT	27
ENFORCEABILITY OF REMEDIES	27
TAX MATTERS	28
Opinion of Bond Counsel	28
LITIGATION	30
The Borrower.....	30
The Issuer.....	30
CERTAIN LEGAL MATTERS	30
CONTINUING DISCLOSURE.....	30
RATING.....	31
UNDERWRITING	31
MISCELLANEOUS.....	31
CERTIFICATION.....	32

APPENDIX A - SUMMARY OF CERTAIN DEFINITIONS.....	A-1
APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.....	B-1
APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT.....	C-1
APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT.....	D-1
APPENDIX E - SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT.....	D-1
APPENDIX F - FORM OF OPINION OF BOND COUNSEL.....	E-1
APPENDIX G - FORM OF THE CREDIT FACILITY	F-1
APPENDIX H - FORM OF CONTINUING DISCLOSURE AGREEMENT	G-1
APPENDIX I - BOOK-ENTRY SYSTEM	H-1

OFFICIAL STATEMENT

Relating to

\$5,000,000

COMMUNITY DEVELOPMENT ADMINISTRATION MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Multifamily Development Revenue Bonds (Washington Gardens) Series 2005 B

INTRODUCTION

This Official Statement and the Appendices hereto set forth certain information relating to the issuance by the Maryland Community Development Administration (the “Issuer” or the “Administration”), an agency in the Division of Development Finance of the Department of Housing and Community Development, a principal department of the government of the State of Maryland (the “State”), of its Multifamily Development Revenue Bonds (Washington Gardens), Series 2005 B (the “Bonds”). Certain capitalized terms used in this Official Statement are summarized in APPENDIX A - “SUMMARY OF CERTAIN DEFINITIONS” attached hereto.

The Bonds are being issued pursuant to a Trust Indenture (the “Indenture”), dated as of December 1, 2005, between the Administration and Manufacturers and Traders Trust Company, a New York banking corporation with trust powers having a designated corporate trust office in Baltimore, Maryland, as trustee (the “Trustee”), and 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”).

The Bonds are being issued by the Issuer to provide funding for a mortgage loan (the “Mortgage Loan”) to be made by the Issuer to Washington Gardens Preservation Associates Limited Partnership, a limited partnership organized and existing under the laws of the State of Maryland (the “Borrower”), to provide financing for the acquisition, rehabilitation and equipping of a 100-unit multifamily rental housing project known as Washington Gardens Apartments (the “Project” or “Mortgaged Property”) located in Hagerstown, Maryland. The Mortgage Loan will be made pursuant to a Financing Agreement, dated as of December 1, 2005 (the “Financing Agreement”), among the Issuer, the Trustee and the Borrower, and in accordance with the requirements of Fannie Mae (“Fannie Mae” or the “Credit Provider”). The Mortgage Loan will be evidenced by a Multifamily Note (the “Mortgage Note”), executed by the Borrower. The Mortgage Note will be payable to the Issuer and will be secured by, among other things, a Multifamily Deed of Trust, Assignment of Rents and Security Agreement (the “Security Instrument”) from the Borrower in favor of the Issuer and Fannie Mae. The Security Instrument will encumber the Project.

The Mortgage Loan will be made by the Issuer in accordance with the requirements of Fannie Mae and subject to the terms and conditions of a commitment (the “Fannie Mae Commitment”) issued by Fannie Mae to Prudential Multifamily Mortgage Inc., a Delaware corporation, as servicer of the Mortgage Loan (the “Loan Servicer”). Under the Fannie Mae Commitment, Fannie Mae has agreed, subject to satisfaction of the terms and conditions of the Fannie Mae Commitment, to provide, as further described below, credit enhancement for the Mortgage Loan and liquidity support for the Bonds Outstanding on the Initial Remarketing Date (as defined herein) pursuant to, and subject to the limitations of, a Credit Enhancement Instrument (Stand-By), dated December 14, 2005 (the “Credit Facility,” the substantially final form of which is attached hereto as Appendix G) provided by Fannie Mae to the Trustee.

On the date of issuance and delivery of the Bonds (the "Closing Date"), the Mortgage Loan, the Mortgage Note and the Security Instrument will be assigned by the Issuer to the Trustee and Fannie Mae, as their interests may appear, without recourse, and upon such assignment, the Mortgage Loan, the Mortgage Note and the Security Instrument will be part of the Trust Estate securing the Bonds. Pursuant to an Assignment and Intercreditor Agreement, dated as of December 1, 2005, by and among the Issuer, Fannie Mae and the Trustee and acknowledged, accepted and agreed to by the Borrower (the "Assignment"), Fannie Mae has the exclusive right to make all decisions in connection with the Mortgage Loan and the exclusive right to exercise all rights and remedies (other than Reserved Rights) under the Mortgage Note, the Security Instrument, the Financing Agreement and all of the other Mortgage Loan Documents (the "Assigned Documents"). Fannie Mae also has the right, at any time, upon filing with the Trustee a certification reaffirming Fannie Mae's obligations under the Credit Facility, to direct the Trustee to assign all of its right, title and interest in and to the Assigned Documents to Fannie Mae.

In addition to the other security provided under the Indenture (as described herein under the caption "SECURITY FOR THE BONDS - Credit Facility"), credit enhancement for the Mortgage Loan will, as noted above, be provided by Fannie Mae pursuant to the Credit Facility through credit support for certain payments due under the Mortgage Note (designated in the Credit Facility as "Required Mortgage Payments"). The Credit Facility will be a stand-by facility, providing coverage in the event that the Borrower fails to make a Required Mortgage Payment. The Credit Facility will also cover the risk of disgorgement in bankruptcy. Required Mortgage Payments, if made timely and in full, are intended to be sufficient to pay the principal of and interest on the Bonds. Fannie Mae will have no obligation under the Credit Facility to pay premium, if any, on the Bonds. See "APPENDIX G - FORM OF THE CREDIT FACILITY." Fannie Mae's obligation to make payments under the Credit Facility will be absolute, unconditional and irrevocable. See "SECURITY FOR THE BONDS - Credit Facility" herein. That obligation will be a general, unsecured obligation of Fannie Mae. If Fannie Mae fails to perform that obligation, the Trustee will receive only payments and other recoveries on the Mortgage Loan itself, and a delinquency or default on the Mortgage Loan at that time would seriously and adversely affect monthly payments to the Trustee. The obligation of the Borrower to reimburse Fannie Mae for any funds provided by Fannie Mae pursuant to the Credit Facility will be set forth in a Reimbursement Agreement, dated as of December 1, 2005, by and between the Borrower and Fannie Mae (the "Reimbursement Agreement"). See "APPENDIX E - SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT."

The interest rate on the Mortgage Note (the "Mortgage Note Rate") is to be established at a rate, and the monthly payments under the Mortgage Note are to be scheduled, such that the monthly payments of principal and interest on the Mortgage Note will be sufficient, together with other money on deposit with the Trustee pursuant to the Indenture, and certain Investment Income, to pay, when due, the semi-annual interest or principal and interest due on the Bonds, the monthly fees of Fannie Mae and of the Loan Servicer and the "Third Party Fees" (which include the Trustee's Annual Fee, the Issuer's Annual Fee and the Rebate Analyst's Annual Fee, if any), but only to the extent that the Third Party Fees are included in the Mortgage Note Rate. The Trustee will accumulate and invest the monthly payments on the Mortgage Loan for application semiannually to payments of interest or principal and interest, as due, on the Bonds and for the payment of certain fees. See "APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" attached hereto. Fannie Mae has not prepared, reviewed or verified, makes no representation or warranty with respect to, does not certify to, and assumes no responsibility or liability for, any calculations used to establish such schedule of payments or distributions, the assumptions used in making such calculations, their mathematical accuracy or for the sufficiency of payments or any investment income on which they are based to pay the principal of and interest on the Bonds when due, any fees, including any Third Party Fees, when due, or any other amounts at any time.

The Project is required to be occupied by families whose incomes satisfy certain provisions of the Act and 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 Regulatory Agreement and Agreement and Declaration of Covenants and Restrictions, dated as of December 1, 2005 (the “Regulatory Agreement”), between the Borrower and the Issuer. See “THE BORROWER AND THE PROJECT” herein and “APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT” attached hereto.

Any failure of the Borrower to comply with the terms of the Regulatory Agreement may cause interest on the Bonds to be included in the gross income of the owners thereof for federal income tax purposes, possibly retroactively as well as prospectively. See “TAX MATTERS” herein. None of the Trustee, the Issuer or the Bondholders may cause an acceleration or redemption of any of the Bonds solely because of a default by the Borrower under the Regulatory Agreement or because interest on the Bonds becomes includable in the gross income of the owners thereof for federal income tax purposes. In addition, the interest rate on the Bonds will not be adjusted in the event that interest payable on the Bonds becomes includable in the gross income of the owners thereof for federal income tax purposes.

Fannie Mae has designated the Loan Servicer to service the Mortgage Loan. However, Fannie Mae may subsequently designate another eligible servicing institution to service the Mortgage Loan for Fannie Mae or may elect to service the Mortgage Loan itself. Neither Fannie Mae nor the Loan Servicer will have any responsibility to monitor the Borrower’s compliance with the requirements of the Regulatory Agreement.

The Bonds are subject to mandatory tender for purchase and remarketing on February 1, 2024 (the “Initial Remarketing Date”). If the Bonds are remarketed on the Initial Remarketing Date, the terms of the Bonds after such date may differ materially from the description provided in this Official Statement. Therefore, prospective purchasers of the Bonds on and after the Initial Remarketing Date cannot rely on this Official Statement, but rather must rely upon any disclosure documents prepared in connection with such remarketing.

ALTHOUGH THE ISSUER HAS AUTHORIZED AND APPROVED THIS OFFICIAL STATEMENT, THE ISSUER IS A CONDUIT ISSUER AND IS NOT RESPONSIBLE FOR THE STATEMENTS MADE HEREIN EXCEPT FOR THE INFORMATION UNDER THE CAPTIONS “THE ISSUER” AND “LITIGATION” (TO THE EXTENT THAT THE INFORMATION UNDER SUCH CAPTIONS PERTAINS TO THE ISSUER.

The Bonds are special obligations of the Administration, 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 of Maryland, 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.

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

Brief descriptions of the Bonds, the security for the Bonds, the Issuer, Fannie Mae, the Borrower, the Loan Servicer and the Project are included in this Official Statement together with summaries of the Indenture, the Financing Agreement, the Regulatory Agreement, the Continuing Disclosure Agreement and the Reimbursement Agreement. Such descriptions do not purport to be comprehensive or definitive. The proposed form of the Credit Facility is attached hereto as Appendix G. All references herein to the Indenture, the Financing Agreement, the Regulatory Agreement, the Continuing Disclosure Agreement, the Credit Facility, the Reimbursement Agreement and other documents are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety by reference to the forms thereof included in the Indenture and the information with respect thereto in the aforementioned documents, copies of all of which are available for inspection in the designated office of the Trustee.

THE BONDS

General

The Bonds are issuable only as fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof. The Bonds are dated as of the date set forth on the cover hereof and will bear interest at the rates per annum, and mature as set forth on the inside cover of this Official Statement, subject to prior redemption as described under the caption “Redemption” below.

Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve (12) thirty-day months and be payable on February 1 and August 1 of each year, commencing August 1, 2006 (each, an “Interest Payment Date”). The Bonds will bear interest from the Interest Payment Date next preceding the date of authentication of the Bonds; provided that if the date of authentication is an Interest Payment Date for which interest has been paid or is after the Record Date, but prior to the next Interest Payment Date, the Bonds shall bear interest from such Interest Payment Date; provided further that if the date of authentication is prior to the Record Date for the first Interest Payment Date, the Bonds shall bear interest from the Dated Date of the Bonds. Notwithstanding the foregoing, if, at the time of authentication of any Bond, interest on the Bond is in default, the Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment or, if no interest has theretofore been paid on the Bond, from the Dated Date of the Bond.

On the Initial Remarketing Date, the Bonds will be subject to mandatory tender and remarketing as described below under the caption “Mandatory Tender, Purchase and Remarketing of Bonds.”

The Bonds will be delivered in fully registered form only and, when issued and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Ownership interest in the Bonds may be purchased in book entry form only. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Bondholders shall mean Cede & Co. and shall not mean the ultimate purchasers of the Bonds. Payments of the principal of and interest on the Bonds while under the Book Entry System shall be made in accordance with the rules, regulations and procedures established by DTC in connection with such Book Entry System. See “THE BONDS - Book-Entry System” herein.

Mandatory Tender, Purchase and Remarketing of Bonds

All Bonds Outstanding on the Initial Remarketing Date will be subject to a mandatory tender, purchase and remarketing in accordance with the mandatory tender for purchase and remarketing on the Initial Remarketing Date.

IF THE BONDS ARE REMARKETED ON THE INITIAL REMARKETING DATE, THE TERMS OF THE BONDS AFTER SUCH DATE MAY DIFFER MATERIALLY FROM THE DESCRIPTION PROVIDED IN THIS OFFICIAL STATEMENT. THEREFORE, PROSPECTIVE PURCHASERS OF THE BONDS ON AND AFTER THE INITIAL REMARKETING DATE CANNOT RELY ON THIS OFFICIAL STATEMENT, BUT RATHER MUST RELY UPON ANY DISCLOSURE DOCUMENTS PREPARED IN CONNECTION WITH SUCH REMARKETING.

Notice

Not less than 120 days prior to a Remarketing Date, the Trustee is to give written notice to the Borrower, the Trustee, the Remarketing Agent, Fannie Mae, the Issuer and the Loan Servicer to the effect that a remarketing of the Bonds is scheduled to occur on such Remarketing Date and specifying the Remarketing Date; if there is no Remarketing Agent then serving in that capacity, the Trustee is to request that the Issuer and Fannie Mae designate a successor to the Remarketing Agent as provided in the Indenture.

Not less than 60 days prior to the Remarketing Date, the Trustee is to advise Fannie Mae, the Loan Servicer and the Borrower of the estimated amount of the Remarketing Expenses expected to be incurred in connection with the remarketing of the Bonds (including the estimate of Remarketing Expenses furnished by the Remarketing Agent) and that an amount equal to the estimated Remarketing Expenses is required to be on deposit with the Trustee as a condition to the remarketing of the Bonds.

Not less than 60 days prior to the Remarketing Date, the Trustee is to give written notice of the Remarketing Date to Fannie Mae and the Loan Servicer. Not less than 30 days prior to the Remarketing Date, the Trustee is to give written notice of tender and remarketing to the Bondholders (with a copy to Fannie Mae and the Loan Servicer) by mail at their respective addresses appearing on the Bond Register. The notice shall state (i) the Remarketing Date; (ii) that all Outstanding Bonds are subject to mandatory tender for purchase on the Remarketing Date and must be tendered for purchase on the Remarketing Date; (iii) that the Bondholders do not have the right to elect to retain their Bonds and any Bonds not tendered for purchase on the Remarketing Date will nevertheless be deemed to have been tendered for purchase and will cease to bear interest from and after the Remarketing Date (or such later date as is provided for in paragraph (iv) below); and (iv) that all Outstanding Bonds will be purchased on the Remarketing Date at a purchase price equal to the principal amount of the Outstanding Bonds plus interest accrued to the Remarketing Date, and shall further state that if, after the remarketing of the Bonds, the Trustee does not have sufficient funds to purchase all of the Outstanding Bonds, all of the Outstanding Bonds shall nevertheless be purchased on the Remarketing Date or no later than the third Business Day following the Remarketing Date at a purchase price equal to the principal amount of the Outstanding Bonds plus interest accrued to the Remarketing Date; (v) the address of the office of the Trustee at which Bondholders must deliver their Bonds for purchase on the Remarketing Date. If notice is given by the Trustee as stated in this section, the failure of any Bondholder to receive such notice, or any defect in the notice, shall not affect the validity of the proceedings for the remarketing of the Bonds.

Remarketing

In connection with each remarketing of the Bonds, the Remarketing Agent shall: (i) not less than 10 days before each Remarketing Date (unless, pursuant to the Indenture, the Bonds are not to be remarketed), offer for sale and use its best efforts to sell all of the Outstanding Bonds on the Remarketing Date at a purchase price equal to 100 percent of the principal amount of such Bonds; and (ii) not less than four Business Days prior to each Remarketing Date, give notice, by Electronic Means, promptly confirmed in writing, to the Issuer, the Trustee, Fannie Mae and the Loan Servicer specifying the principal amount of Bonds, if any, it has remarketed (including Bonds to be purchased by the

Remarketing Agent on the Remarketing Date for its own account), the Remarketing Rate(s) and the Remarketing Period applicable to the Bonds.

Conditions

The actual sale of the Bonds on a Remarketing Date pursuant to a remarketing of the Bonds is subject to the satisfaction of each of the following conditions precedent not less than four Business Days prior to the Remarketing Date:

(a) the Trustee shall have received notice from the Remarketing Agent pursuant to the Indenture that all of the Bonds have been remarketed and that the proceeds from the remarketing of the Bonds (including proceeds of remarketing of Outstanding Bonds to be purchased by the Remarketing Agent on the Remarketing Date for its own account) or other funds equal to the amount needed to purchase the remarketed Bonds on the Remarketing Date are expected to be available to the Trustee on the Remarketing Date for deposit into the Remarketing Proceeds Account of the Bond Purchase Fund in an amount equal to the principal amount of the Outstanding Bonds;

(b) there shall be on deposit in the Remarketing Expenses Account of the Bond Purchase Fund, from funds provided by the Borrower, the Issuer or Fannie Mae, an amount equal to the estimated Remarketing Expenses unless, and to the extent that, provision for the payment of the estimated Remarketing Expenses shall otherwise have been made to the satisfaction of the Trustee and the Remarketing Agent;

(c) the Trustee shall have received written notice from the Issuer that the Issuer has approved as to form and substance any disclosure document or offering materials which, in the opinion of counsel to the Issuer and the Remarketing Agent, is necessary to be used in connection with the remarketing of the Outstanding Bonds;

(d) the Trustee shall have received written confirmation from Fannie Mae that the Credit Facility is in full force and effect and will continue in full force and effect during the ensuing Remarketing Period or that a Replacement Credit Facility will be in full force and effect during the ensuing Remarketing Period;

(e) the Trustee shall have received confirmation that the Rating Agency shall have received and approved a Cash Flow Projection and a Verification Report, each based on the Mortgage Note Rate, as revised, to reflect the interest rate(s) to be in effect with respect to the Outstanding Bonds on and after the Remarketing Date;

(f) the Trustee shall have received written notice from the Remarketing Agent that the Remarketing Agent has received written confirmation from the Rating Agency that then current rating assigned to the Bonds will continue to be effective on the Remarketing Date.

The Borrower shall, pursuant to the Financing Agreement, request, on a date six months prior to the Remarketing Date, advice in writing from the Issuer whether the Bonds bear a rating from Moody's consistent with the then current policy of the State. The Issuer will advise the Borrower, the Trustee and the Credit Provider in writing within two weeks of the date the Issuer receives the Borrower's written request whether such policy is satisfied (or is otherwise waived) as of the date of the written response; if the Issuer advises that such policy is not satisfied (or is not otherwise waived) as of the date of the written response, then the Bonds shall be subject to mandatory tender for purchase on the Initial Remarketing Date and will not be remarketed.

Notice of Satisfaction of Conditions Precedent

If the conditions precedent described above are satisfied, then the Trustee will immediately give notice to the Borrower, the Issuer, the Trustee, the Remarketing Agent, Fannie Mae and the Loan Servicer by Electronic Means stating that (a) all conditions precedent to the remarketing of the Outstanding Bonds have been satisfied and (b) the sale and settlement of the Bonds is expected to occur on the Remarketing Date.

Sale of Bonds if Conditions Precedent are Satisfied

If the Trustee gives the notice described above not later than the close of business on the fourth Business Day prior to the Remarketing Date, the Remarketing Agent shall sell the Bonds to the purchasers identified by the Remarketing Agent for delivery and settlement on the Remarketing Date and the Trustee shall apply the funds in the Remarketing Proceeds Account of the Bond Purchase Fund on the Remarketing Date to the payment of the purchase price of the Bonds to the former owners of the Bonds.

Purchase of Bonds if Conditions Precedent are not Satisfied

If the Trustee is unable to give the notice described above not later than the close of business on the fourth Business Day prior to the Remarketing Date, then, unless the Bonds are otherwise purchased on the Remarketing Date (a) the Remarketing Agent shall not sell any of the Bonds on the Remarketing Date, (b) the Trustee shall, not less than four Business Days prior to the Remarketing Date, give notice of that fact to the Credit Provider by Electronic Means and (c) the Trustee shall request a Purchased Bonds Advance under the Credit Facility in accordance with its terms and cause the proceeds of such Purchased Bonds Advance to be applied so that full and timely payment of the purchase price of the Bonds is made on the Remarketing Date to the former owners of the Bonds.

Delivery of Bonds

Each Bondholder shall deliver its Bonds to the Trustee for purchase not later than 12:00 noon, Eastern Time, on the Remarketing Date.

Undelivered Bonds.

Any Bond which is not delivered on a Remarketing Date (an “Undelivered Bond”) will be treated as a lost Bond and will be deemed tendered and a new Bond may be issued in place of it pursuant to the Indenture without providing indemnity. An Undelivered Bond will not bear interest from and after the applicable Remarketing Date, and will not be otherwise entitled to any rights under, or be secured by the lien of, the Indenture, but will have only the right to receive the amount due as a result of the purchase of the Bonds pursuant to the Indenture, and only upon surrender of such Undelivered Bond to the Trustee or compliance with the provisions of the Indenture concerning payment of lost, stolen or destroyed Bonds.

Payment of Accrued Interest; Payment of Principal.

Accrued interest payable to the Remarketing Date on the Bonds shall be paid to the owners of the Outstanding Bonds as of the Record Date in the same manner as if the Bonds were not purchased. The principal portion of the purchase price of the Outstanding Bonds shall be payable only upon surrender of such Bonds pursuant to the Indenture.

Optional Redemption

The Bonds are subject to optional redemption before maturity as provided below. Optional redemption will occur on the first day of any month for which timely notice of redemption can be given at par plus accrued interest, if any, to the Redemption Date.

Optional Redemption of Bonds Maturing in 2008.

The Bonds maturing on February 1, 2008, are subject to optional redemption on and after February 1, 2007, in whole or in part only upon optional prepayment of the Mortgage Loan in accordance with the Mortgage Loan Documents.

Optional Redemption of Bonds Maturing in 2015, 2024 and 2036.

The Bonds maturing in 2015 are not subject to optional redemption.

The Bonds maturing in 2024 and 2036 are subject to optional redemption on and after August 1, 2015, and prior to the Initial Remarketing Date, in whole or in part only upon optional prepayment of the Mortgage Loan in whole or in part in accordance with the Mortgage Loan Documents.

Available Moneys Requirement.

Optional redemption pursuant to the Indenture is not permitted unless (a) the redemption is effected solely with Available Moneys or (b) Fannie Mae provides its prior written consent to a redemption with other than Available Moneys. Notwithstanding any other provision of the Indenture to the contrary, and regardless of any consent to redemption pursuant to the preceding clause (b), optional redemption of the Bonds will not be permitted unless on or before the Redemption Date, the Trustee has on hand Available Moneys in an amount sufficient to pay the End Period Payment on the Redemption Date. Neither the Issuer, Fannie Mae nor the Loan Servicer will have any responsibility or liability to provide funds to be included in the End Period Payment.

Special Mandatory Redemption

The Bonds are subject to special mandatory redemption, in whole or in part, as set forth below. Unless otherwise specified in any paragraph below, each special mandatory redemption will be (a) effected on the earliest practicable Redemption Date for which timely notice of redemption can be given pursuant to the Indenture following the occurrence of the event requiring such redemption and (b) at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest on such Bonds to the Redemption Date. Bonds subject to special mandatory redemption in part will be redeemed in Authorized Denominations; if the Trustee receives an amount for the special mandatory redemption of the Bonds which is not equivalent to an Authorized Denomination, Bonds will be redeemed in an amount equal to the next lowest whole integral of an Authorized Denomination to the amount received by the Trustee, with any excess to be held in the Redemption Account. The Bonds will be redeemed:

- (i) in whole or in part, at the direction of Fannie Mae, in the event and to the extent that proceeds of insurance from any casualty to, or proceeds of any award from any condemnation, or any award as part of a settlement in lieu of condemnation of, the Project (in any of such events, "Proceeds") are not applied in accordance with the Financing Agreement and the Mortgage Loan Documents, after payment of the expenses, if any, of collecting the Proceeds, to restoring or repairing the Project or, with the prior

written consent of Fannie Mae, otherwise used for improvements to the Project, or applied to the reimbursement of amounts owed to Fannie Mae pursuant to the Reimbursement Agreement. Such special mandatory redemption will be:

A. (1) in whole, following the involuntary destruction or loss of the Project in its entirety or nearly in its entirety, (2) funded with the Proceeds, with funds on deposit in the Funds and Accounts (other than the Rebate Fund, the Costs of Issuance Fund, the Equity Account and the Fees Account) and with funds provided by the Borrower pursuant to the Financing Agreement, provided that the Trustee will be entitled to an Advance under the Credit Facility, in accordance with its terms, to the extent that the sum of the Proceeds, funds on deposit in the Funds and Accounts (other than the Rebate Fund, the Costs of Issuance Fund, the Equity Account and the Fees Account) and funds provided by the Borrower pursuant to the Financing Agreement are insufficient to redeem all of the Bonds Outstanding and (3) deemed a corresponding involuntary prepayment of the Mortgage Loan; or

B. (1) in part, following the involuntary destruction or loss of the Project in part, and (2) funded with the Proceeds; any such redemption in part will be deemed a corresponding involuntary prepayment of the Mortgage Loan in part;

(ii) in whole or in part, at the written direction of Fannie Mae given to the Trustee and in the amount specified by Fannie Mae if the redemption is in part, upon the occurrence of an Event of Default by the Borrower under (and as respectively defined in) the Security Instrument, the Credit Facility Agreement or the Financing Agreement;

(iii) in whole or in part, in the event and to the extent that excess amounts are transferred to the Redemption Account pursuant to the provisions of the Indenture described in “APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - The Revenue Fund - Disbursements from the Accounts of the Revenue Fund”;

(iv) as to the Bonds maturing in 2015, 2024 and 2036, in part, on or before February 1, 2008, in an amount not to exceed \$275,000, in the event and to the extent that the Borrower is required to make a partial prepayment of the Mortgage Loan in accordance with the terms of the Letter of Credit Agreement (Tax Differential) as described under the heading “BONDHOLDERS’ RISKS - Early Redemption” herein.

Mandatory Sinking Fund Redemption

On or Prior to Initial Remarketing Date

The Bonds maturing in 2036 are not subject to mandatory sinking fund redemption prior to the Initial Remarketing Date. The Bonds maturing in 2015 and 2024 are subject to mandatory sinking fund redemption in part, by lot, prior to maturity, from sinking fund installments on the dates and in the principal amounts set forth in the table below at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, plus accrued interest to the Redemption Date, but without premium:

Bonds Maturing August 1, 2015

<u>Year (February 1)</u>	<u>Principal Amount</u>	<u>Year (August 1)</u>	<u>Principal Amount</u>
		2006	\$20,000
2007	\$25,000	2007	25,000
2008	25,000	2008	25,000
2009	25,000	2009	25,000
2010	25,000	2010	25,000
2011	20,000	2011	20,000
2012	20,000	2012	20,000
2013	20,000	2013	25,000
2014	20,000	2014	25,000
2015	25,000	2015 [†]	25,000

[†]Final Maturity

Bonds Maturing February 1, 2024

<u>Year (February 1)</u>	<u>Principal Amount</u>	<u>Year (August 1)</u>	<u>Principal Amount</u>
2016	\$25,000	2016	\$25,000
2017	25,000	2017	30,000
2018	25,000	2018	30,000
2019	30,000	2019	35,000
2020	35,000	2020	35,000
2021	35,000	2021	35,000
2022	35,000	2022	40,000
2023	40,000	2023	40,000
2024 [†]	40,000		

[†]Final Maturity

Adjustment for Redemptions from other than Sinking Fund Installments.

If less than all of the Bonds of a specific maturity shall have been redeemed other than from sinking fund installments applicable to such Bonds, the principal amount of Bonds of such maturity to be redeemed in each year from sinking fund installments will be decreased pro rata (in \$5,000 amounts) among all sinking fund installments applicable to such Bonds of such maturity. Any such proportional redemption will be confirmed in writing to the Trustee by the Loan Servicer.

Notice of Redemption

Notice of the call for redemption of any Bonds will be given by the Trustee in the name and on behalf of the Issuer by mail on the earliest practicable date after the Trustee receives notice that a redemption is to occur but in any event not less than fifteen (15) nor more than twenty (20) days prior to the specified Redemption Date, to the Registered Owner of each Bond to be redeemed at the address of such Registered Owner as shown on the Bond Register. Notwithstanding the foregoing, so long as the

Book Entry System is maintained in effect, the Trustee must give notice of redemption only to the entity designated in the Representation Letter. The Trustee may give notice of redemption prior to the receipt of all funds necessary to effect the redemption, provided that redemption shall not occur unless and until the Trustee has on deposit and available or, if applicable, has received, all of the funds necessary to effect the redemption (and only if such funds constitute Available Moneys as and to the extent required by the Indenture); otherwise, such redemption shall be cancelled. The Trustee shall cause a second notice of redemption to be sent by mail within ten (10) days after the 30th day following the Redemption Date to any Bondholder who has not submitted its Bond to the Trustee for payment on or before the 30th day following the Redemption Date.

NEITHER FAILURE TO GIVE OR RECEIVE ANY NOTICE OF REDEMPTION AS REQUIRED UNDER THE INDENTURE, FAILURE TO GIVE NOTICE TIMELY NOR ANY DEFECT IN ANY NOTICE (OR IN ITS CONTENT OR IN THE MANNER IN WHICH NOTICE IS GIVEN) WILL AFFECT THE VALIDITY OR SUFFICIENCY OF ANY PROCEEDINGS FOR THE REDEMPTION OF THE BONDS TO BE REDEEMED.

Revocation of Notice of Redemption; Cancellation of Redemption

The Trustee shall revoke any notice of optional redemption if the requirements of the Indenture for such optional redemption have not been satisfied. The Trustee shall revoke any notice of optional or special mandatory redemption if the Trustee does not, on a Redemption Date, have sufficient funds, as permitted or required by the Indenture, to redeem the Bonds to be redeemed on such Redemption Date. The Trustee shall give notice of revocation by the same means as is provided in the Indenture for the giving of notice of redemption, or by Electronic Means confirmed in writing. The redemption shall be cancelled once the Trustee has given notice of revocation. Notwithstanding notice having been given in the manner provided above, any redemption of Bonds shall be cancelled at the direction of Fannie Mae has given notice to the Trustee in writing that a default under any Credit Facility Document has occurred.

Redemption Payments

Notice of redemption having been given in the manner described above and as provided in the Indenture and all conditions precedent to redemption having been satisfied, the Bonds so called for redemption will become due and payable on the Redemption Date, and interest on the Bonds will cease to accrue from and after the Redemption Date; the holders of the Bonds so called for redemption will thereafter no longer have any security or benefit under the Indenture except to receive payment of the redemption price for such Bonds upon surrender of such Bonds to the Trustee. Except during any period in which the Bonds are subject to the Book Entry System, no payment will be made by the Trustee with respect to any Bonds called for redemption until such Bond is presented for payment or cancellation or the Trustee receives the items required by the Indenture with respect to any mutilated, lost, stolen or destroyed Bond.

During any period in which the Bonds are subject to the Book Entry System, the rules, regulations and practices governing the Book Entry System will govern whether and the extent to which the Trustee will make payments on any Bond called for redemption with or without surrender of the Bond (or portion of the Bond) to be redeemed, and the circumstances (if any) under which the Issuer is required to execute, and the Trustee is to authenticate and deliver, a new Bond in exchange for the unredeemed portion of any Bond called for redemption in part. All moneys held by or on behalf of the Trustee for the redemption of particular Bonds will be held in trust for the account of the holders of the Bonds to be redeemed, as provided in and in accordance with the Indenture. CUSIP number identification with appropriate dollar amounts for each CUSIP number also will accompany all redemption payments.

Selection of Bonds to be Redeemed upon Partial Redemption of Bonds

Other than with respect to mandatory sinking fund redemptions, if less than all of the Outstanding Bonds are called for redemption, Bonds to be redeemed will be selected by the Trustee on a reasonably proportionate basis from such maturities of Bonds eligible for redemption, in minimum amounts of \$5,000, by lot within a maturity. In the selection process any Pledged Bonds Outstanding will be called for redemption before any other Bonds are selected for redemption. "Reasonably proportionate basis" is to be determined and effectuated as nearly as practicable by multiplying the total amount of money available to redeem Bonds by the ratio which the principal amount of Bonds Outstanding in each maturity eligible for such redemption bears to the principal amount of all of the Bonds eligible for such redemption Outstanding, and within a maturity by lot or in such other manner as the Trustee shall, in its sole discretion, deem fair. In the case of an optional redemption from an optional prepayment of the Mortgage Loan, the Trustee will make its selection immediately following receipt of notice of the optional prepayment. In the case of a special mandatory redemption, the Trustee will make its selection immediately following:

- (i) a transfer of funds pursuant to the Indenture with respect to a special mandatory redemption using excess cash held under the Indenture; or
- (ii) receipt of funds with respect to a special mandatory redemption as a result of (A) a casualty or condemnation or (B) certain defaults as set forth in subparagraph (ii) of the heading entitled "THE BONDS - Special Mandatory Redemption" above.

With respect to any special mandatory redemption in part (other than from excess cash held under the Indenture, as described in paragraph (i) above) pursuant to the Indenture, the sufficiency of the scheduled cash flow from the monthly payments to be made under the Mortgage Note and Investment Income with respect to the General Account to pay the principal of and interest on the Bonds and the Third Party Fees (to the extent included in the Mortgage Note Rate) when due and payable, following such redemption, shall be established by a then current Cash Flow Projection verified by a Verification Report (upon each of which the Trustee may rely), each prepared and delivered to the Trustee, the Issuer Fannie Mae and the Loan Servicer, at the Borrower's expense, at least fifteen (15) days prior to the Redemption Date. Bonds may be redeemed only in Authorized Denominations. Notwithstanding the foregoing, so long as the Bonds remain in the Book-Entry System, the Bonds to be redeemed shall be selected by DTC or any successor Securities Depository, and the DTC Participant through such selection process as is applicable at such time. The Bonds selected for redemption as described in this paragraph and in the Indenture will not be deemed Outstanding. If less than the entire principal amount of a Bond is called for redemption, the Issuer is to execute and the Trustee is to authenticate and deliver, upon surrender of such Bond, without charge to the holder of such Bond, in exchange for the unredeemed principal amount of such Bond, Bonds of the same maturity, interest rate, principal amount, series and tenor in any Authorized Denomination in the amount of the unredeemed principal of the surrendered Bonds.

Purchase of Bonds in Lieu of Redemption

Unless otherwise expressly provided in the Indenture, and subject to the provisions of the Indenture described below under the caption "Special Purchase in Lieu of Redemption," if at any time Available Moneys are held in any Fund or Account to be used to redeem Bonds, in lieu of such redemption the Borrower may, in writing, direct the Trustee to use part or all of such moneys to purchase Bonds which would otherwise be subject to redemption from such moneys. The purchase price of such Bonds (excluding accrued interest, but including any brokerage and other charges) shall not exceed the

applicable redemption price of the Bonds which would be redeemed but for the operation of the provision of the Indenture described in this paragraph (with accrued interest on any such Bond to be paid from the same Fund or Account from which accrued interest would be paid upon the redemption of such Bond). Any such purchase must be completed prior to the time notice would otherwise be required to be given in order to redeem the Bonds and may not occur, without the consent of the Trustee, after a Record Date. All Bonds so purchased will be canceled by the Trustee and the face amount of the Bonds so purchased will be applied as a credit against the Issuer's obligation to redeem such Bonds from such moneys. Savings resulting from the purchase of Bonds at less than their respective redemption prices will be used to purchase or redeem additional Bonds to the extent permitted by the provisions of the Indenture. The Borrower may, at the expense of the Borrower and with the consent of Fannie Mae, direct the Trustee to request the submission of tenders following notice to Bondholders requesting such submission prior to making the purchases described in this paragraph. Notice of acceptance of tenders will be given by first class mail, postage prepaid, to all registered Bondholders, or, in the case of Book Entry Bonds, to DTC, or any successor Securities Depository. The Borrower may specify the maximum and minimum period of time which will transpire between the date upon which such notice is to be given and the date upon which such tenders are to be accepted. No tenders will be considered or accepted at any price exceeding the price described in this paragraph. The Trustee will accept bids with the lowest price and in the event the moneys available for purchase pursuant to such tenders are not sufficient to permit acceptance of all tenders and if there are tenders at an equal price above the amount of moneys available for purchase, then the Trustee will select by lot, in such manner as it shall determine in its discretion, the Bonds tendered which shall be purchased.

Book Entry System

The Bonds will be delivered in fully registered form only and, when issued and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Ownership interests in the Bonds may be purchased in book-entry form only. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Bondholders or "Registered Owners" shall mean Cede & Co. and shall not mean the ultimate purchasers of the Bonds. Payments of the principal of and interest on the Bonds while under DTC's book-entry system will be made in accordance with the rules, regulations and procedures established by DTC. See "APPENDIX I - BOOK-ENTRY SYSTEM" herein.

SECURITY FOR THE BONDS

Pledge of Trust Estate to Secure the Bonds

Pursuant to the Indenture, the Issuer has assigned and granted a security interest in, and pledged, the property described below, to the Trustee, for the benefit of the Bondholders and to Fannie Mae, to secure the payment of the principal of, premium, if any, interest on and the purchase price of the Bonds when the same become due and payable and to secure the payment of all amounts owed to Fannie Mae under the Credit Facility Agreement and the Mortgage Loan Documents (the "Trust Estate"):

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

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

(c) all right, title and interest of the Issuer in and to the Net Bond Proceeds and the accrued interest, if any, derived from the sale of the Bonds, and all Funds, Accounts and Investments under the Indenture (including, but not limited to, moneys, documents, securities, investments, instruments and general intangibles on deposit, or otherwise held by the Trustee under the Indenture), including Investment Income, but excluding moneys in the Fees Account, the Rebate Fund and Costs of Issuance Deposit Account of the Costs of Issuance Fund (including within such exclusion Investment Income earned on amounts on deposit in the Fees Account, the Costs of Issuance Deposit Account of the Costs of Issuance Fund and Investment Income retained in the Rebate Fund);

(d) any and all other rights and interests in property, whether tangible or intangible, from time to time by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture for the Bonds by the Issuer, or by anyone on its behalf, or with its written consent, to the Trustee, which is authorized by 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; and

(e) all of the proceeds of the foregoing, including, but not limited to, Investments and Investment Income (except as excluded in paragraph (c) above).

Credit Facility

Certain “Required Mortgage Payments” under the Mortgage Note will be secured by the Credit Facility. The Required Mortgage Payments, if made timely and in full by the Borrower, are intended to be sufficient, together with money on deposit with the Trustee pursuant to the Indenture and certain Investment Income, to pay, when due, the semi-annual interest or principal and interest on the Bonds. The Credit Facility may be accessed by the Trustee if the Borrower, in any month, fails to make a Required Mortgage Payment. Under the Credit Facility, the Trustee is to present certificates to Fannie Mae in order to receive Advances from Fannie Mae, and is to cause moneys received from Fannie Mae to be applied for the purposes specified in the Indenture. In the event that the Trustee shall have received any Advance from Fannie Mae under the Credit Facility, and thereafter amounts are received by the Trustee from the Borrower or other source, which later received amounts are in payment of amounts satisfied by the Advance under the Credit Facility, then such later received amounts are to be promptly reimbursed to Fannie Mae to the extent of the amount so paid by Fannie Mae. The Credit Facility is an irrevocable obligation of Fannie Mae. A form of the Credit Facility proposed to be delivered by Fannie Mae is attached hereto as Exhibit F. Each purchaser of the Bonds should be aware that the Credit Facility does not guarantee payment of principal of, premium, if any, or interest on the Bonds. The Credit Facility only provides that payments corresponding to the “Required Mortgage Payments” (as defined in the Credit Facility) due under the Mortgage Note will be made by Fannie Mae if not made by the Borrower.

Under the Indenture, the Trustee has covenanted that it will not, without the prior written consent of the Registered Owners of all of the Bonds then Outstanding, transfer, assign or release the Credit Facility until the principal of and interest on the Bonds shall have been paid or duly provided for in accordance with the terms of the Indenture, except (a) to a successor Trustee or (b) to Fannie Mae upon expiration or other termination of the Credit Facility in accordance with its terms, including termination on its stated expiration date or (c) upon payment under the Credit Facility of the full amount payable under the Credit Facility. If at any time during the term of the Credit Facility, a successor Trustee is appointed and qualified under the Indenture and the Credit Facility is not assignable or transferable to the

successor Trustee, the resigning Trustee is to request that Fannie Mae deliver a new Credit Facility, substantially identical to the Credit Facility, to the successor Trustee for the benefit of the holders of the Bonds. The resigning Trustee is to continue to serve as Trustee under the Indenture until such time as the new Credit Facility is delivered to the successor Trustee.

Information regarding Fannie Mae is contained herein under the caption “FANNIE MAE.”

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

INVESTMENT OF AMOUNTS HELD UNDER THE INDENTURE

Net Bond Proceeds on deposit in the Mortgage Loan Fund and certain money on deposit in the Revenue Fund will be invested by the Trustee in Permitted Investments, as defined in the Indenture. See “APPENDIX A - SUMMARY OF CERTAIN DEFINITIONS.” As set forth in such definition, “Permitted Investments” may include one or more Investment Agreements, as defined in the Indenture. The Issuer and the Underwriters make no representation as to the ability of the provider of an investment agreement to make payments thereunder in amounts necessary to make scheduled payments of debt service on the Bonds. See “BONDHOLDERS’ RISKS - Failure of Provider of the Investment Agreement to Make Payment Thereunder” herein.

BONDHOLDERS’ RISKS

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

Credit Facility

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

It is possible, in the event of the insolvency of Fannie Mae, or the occurrence of some other event precluding Fannie Mae from honoring its obligations to make payments as stated in the Credit Facility,

that the financial resources of the Borrower will be the only source of payment on the Bonds. There can be no assurance that the financial resources of the Borrower would be sufficient to pay the principal of, premium if any, and interest on the Bonds in the event the Trustee were forced to seek recourse against the Borrower. See “SECURITY FOR THE BONDS.”

Limited Obligations

The Bonds and the interest thereon do not constitute an indebtedness or an obligation, general or moral, or a pledge of the faith or loan of credit of the Issuer, the State or any political subdivision thereof, within the purview of any constitutional limitation or provision. The Issuer is obligated to pay the principal of, premium, if any, and interest on the Bonds and other costs incidental thereto only from the sources specified in the Indenture. Neither the faith and credit or the taxing powers, if any, of the Issuer or the State or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, and interest on the Bonds or other costs incidental thereto. No owner of any Bond shall have the right to compel the taxing power, if any, of the Issuer, the State or any political subdivision thereof to pay the principal of, premium, if any, or interest on the respective Bonds. The Issuer has no taxing power.

Bankruptcy of Borrower

In the event of a bankruptcy filing by or against the Borrower, all or a portion of any payments made to Bondholders within ninety one (91) days of the filing of such bankruptcy could be recovered from Bondholders by the order of a bankruptcy judge finding that such payments to Bondholders were “preferential” payments within the meaning of Section 547 of the United States Bankruptcy Code. In the event Bondholders were ordered to return payments previously received, Bondholders’ recourse, through the Trustee, would be to the obligations of Fannie Mae to the Trustee as and to the extent provided in the Credit Facility.

The United States Bankruptcy Code automatically stays enforcement of any liens, such as the Security Instrument, against the property of a bankrupt estate, even if such liens arose prior to the filing of the bankruptcy petition. In the event of the bankruptcy of the Borrower, the Trustee’s ability to enforce the provisions of the Security Instrument would be substantially impaired, absent relief by the bankruptcy court from the automatic stay. In the event of such a stay, Bondholders recourse, through the Trustee, would be to the obligations of Fannie Mae to the Trustee as and to the extent provided in the Credit Facility.

No Acceleration or Redemption upon Loss of Tax Exemption on the Bonds

The Bonds are not subject to acceleration or redemption, nor are the Bondholders entitled to the receipt of any amount, whether denoted as “supplemental interest,” “additional interest,” “penalty interest,” “liquidated damages,” “damages” or otherwise, by reason of the occurrence of any event (a “Tax Event”) resulting in interest on the Bonds being included in gross income for purposes of federal income taxation. A Tax Event could occur if the Borrower (or any subsequent owner of the Project) does not comply with the provisions of the Financing Agreement and the Regulatory Agreement which are designed, if complied with, to satisfy the continuing compliance requirements of the Code in order for the interest on the Bonds to be excludable from gross income for purposes of federal income taxation.

The Borrower has covenanted and agreed to comply with the provisions of the Code relating to the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds. The financing documents contain provisions and procedures designed to assure compliance with such covenant. See “TAX MATTERS” herein. However, the Borrower’s covenant to comply with the requirements of the Code is non recourse to the Borrower, and the Borrower’s liability is limited to the

revenues and assets comprising the Project. Furthermore, the Borrower's failure to comply with such provisions will not constitute a default under the Mortgage Loan and will not give rise to a redemption or acceleration of the Bonds (unless Fannie Mae determines, at its option and in its sole and absolute discretion, that such failure will constitute such a default) and is not the basis for an increase in the rate of interest payable on the Bonds. Consequently, interest on the Bonds may become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds by reason of the Borrower's failure to comply with the requirements of federal tax law, and neither the Issuer, the Trustee nor the Bondholders will have remedies available to them to mitigate the adverse economic effects to the Bondholders of such inclusion by reason of the Borrower's non compliance.

Failure of Provider of an Investment Agreement to Make Payments Thereunder

Scheduled payments made under the Mortgage Note are made on a monthly basis and scheduled payments on the Bonds are made semiannually. Until applied to make payment on the Bonds, payments received on the Mortgage Note may be invested in Permitted Investments, which may include one or more Investment Agreements. Failure of the provider of an Investment Agreement to make payments thereunder may adversely affect the ability of the Trustee to make payments on the Bonds. In addition, a reduction in the rating of an Investment Agreement Provider or a deterioration in its financial strength may adversely affect the rating on the Bonds.

Performance of the Project

No assurance can be given as to the future performance of the Project. The economic feasibility of the Project depends in large part upon the ability of the Borrower to attract sufficient numbers of residents and to maintain substantial occupancy throughout the term of the Bonds at sufficient rents. Occupancy of the Project may be affected by competition from existing housing facilities (including facilities owned by the Borrower or an affiliate of the Borrower) or from housing facilities which may be constructed in the area served by the Project (including facilities constructed by the Borrower or affiliates of the Borrower). The Issuer makes no representation, direct or indirect, that the Project will be able to generate sufficient income for the Borrower to make its debt service payments under the Mortgage Note or other payment obligations of the Borrower under the Bond Documents or the Mortgage Loan Documents and its operating expenses. Restrictions imposed under the Code on tenant income and the rent that can be charged could have an adverse effect on the Borrower's ability to satisfy its obligations under the Mortgage Loan Documents, especially if operating expenses should increase beyond what the Borrower had anticipated. In addition, there are restrictions on the income levels of the tenants and the rent levels for the units that are imposed by the Issuer, and in connection with the HAP Contract (as defined below) on the Project. See "THE BORROWER AND THE PROJECT - The Section 8 Contract" below. Further, the sustained failure of tenants to meet their rental payment obligations would make it difficult for the Project to meet its current operating expenses which could result in a curtailment of essential services and decrease the desirability of the Project to existing or prospective tenants. A default by the Borrower under the Financing Agreement, including the failure by the Borrower to pay on the date due any amounts required to be paid by the Borrower under the Financing Agreement, the Mortgage Note, the Security Instrument or the Reimbursement Agreement, may result in a mandatory redemption or acceleration of the Bonds. No premium will be paid on the Bonds in the event of such a redemption or acceleration. See "APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Default Provisions and Remedies" and "APPENDIX E - SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT" attached hereto, and "THE BORROWER AND THE PROJECT" herein.

Environmental Matters

There are potential risks relating to environmental liability associated with the ownership of any property. If hazardous substances are found to be located on a property, the owners of such property may be held liable for costs and other liabilities relating to such hazardous substances. In the event of a foreclosure of the Project or active participation in the management of the Project by the Trustee on behalf of the Bondholders, the Trustee (and, indirectly, the Bondholders) may be held liable for costs and other liabilities related to hazardous substances, if any, on the site of the Project on a strict liability basis and such costs might exceed the value of such property.

Forward-Looking Statements

Certain statements in this Official Statement that relate to the Project and the Borrower including, but not limited to, statements under the caption “THE PROJECT AND THE PRIVATE PARTICIPANTS” are forward-looking statements that are based on the beliefs of, and assumptions made by, the management of the Borrower. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results or performances of the Project and the Borrower to be materially different from any expected future results or performance. Such factors include, but are not limited to, items described in “BONDHOLDERS’ RISKS.”

Enforceability of Remedies

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

Early Redemption

A variety of factors described herein will result in an early redemption of the Bonds. The possibility of an early redemption could affect the value of the Bonds.

The Bonds maturing in 2015, 2024 and 2036 are subject to special mandatory redemption on or before February 1, 2008, in an amount not to exceed \$275,000, at the direction of the Credit Provider, in the event and to the extent that the Borrower makes a partial prepayment of the Mortgage Loan in accordance with the terms of the Letter of Credit Agreement (Tax Differential). Such a prepayment would be triggered if a revaluation of the Project’s real property for property tax assessment purposes under an Act entitled “Property Tax - Valuation - Low Income Housing Tax Credit Projects,” as codified in Section 8-101 et seq. of the Tax - Property Article of the Annotated Code of Maryland, does not result in a real property tax reduction for the Project. The Borrower has covenanted to apply for such revaluation.

See “THE BONDS - Optional Redemption,” “- Special Mandatory Redemption,” and “- Mandatory Sinking Fund Redemptions” herein.

Delayed Purchase on Failed Remarketing

In the event that the Trustee does not, after a remarketing, have sufficient funds on the Remarketing Date to purchase all of the Outstanding Bonds, the Trustee shall present a certificate for a Purchased Bonds Advance under the Credit Facility. Such advance, shall be applied to purchase the Bonds not later than three Business Days following the Remarketing Date at a purchase price of 100% of the principal amount of the Bonds purchased plus accrued interest to the date of purchase.

Interest Ceases to Accrue Upon Declaration of Acceleration

In the event of a declaration of acceleration of the payment of the Bonds following an Event of Default under the Indenture, interest on the Bonds will cease to accrue upon such declaration but payment of the Bonds will not be made until presentment of the Bonds and at such time as the Trustee has received payment from Fannie Mae in accordance with the Credit Facility. Therefore, no interest will accrue or be payable on the Bonds for the period between the date of acceleration and the later of the date of presentment or the date on which the Trustee has received payment from Fannie Mae in accordance with the Credit Facility.

FANNIE MAE

The following information in this section “FANNIE MAE” is provided by Fannie Mae. Neither the Issuer, the Borrower nor the Underwriters, make any representation as to its accuracy.

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

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

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

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

Information on Fannie Mae and its financial condition is contained in periodic reports that are filed with the SEC. The SEC filings are available at the SEC’s website at www.sec.gov. The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae’s web site at

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

Fannie Mae's safety and soundness regulator, OFHEO, announced in July 2003 that it was conducting a special examination of Fannie Mae's accounting policies and practices, and in September 2004 issued a preliminary report of its findings to date. This report raised questions about Fannie Mae's application of certain accounting practices. OFHEO subsequently identified additional accounting and internal control issues in February 2005.

On December 22, 2004, Fannie Mae reported that the Audit Committee of its Board of Directors (the "Board") had determined that Fannie Mae's previously filed interim and audited financial statements and the independent auditor's reports thereon for the period from January 2001 through the second quarter of 2004 should no longer be relied upon because such financial statements were prepared using accounting principles that did not comply with U.S. generally accepted accounting principles ("GAAP"). Fannie Mae has subsequently initiated an extensive restatement and re-audit of its financial statements with its new independent auditor, Deloitte & Touche LLP. Fannie Mae anticipates that the impact of the restatement will be material to Fannie Mae's financial statements for many, if not all, of the periods involved.

Fannie Mae's Board and management have initiated numerous internal and external reviews of Fannie Mae's accounting processes and controls, financial reporting processes and its application of GAAP. Investigations into Fannie Mae's accounting policies and practices and its financial reporting also continue to be ongoing with OFHEO, the U.S. Securities and Exchange Commission (the "SEC"), and the U.S. Attorney's Office for the District of Columbia.

Fannie Mae has not filed Quarterly Reports on Form 10-Q for the third quarter of 2004 or the first, second and third quarters of 2005, nor has Fannie Mae filed its Annual Report on Form 10-K for the year ended December 31, 2004. As Fannie Mae reported in Current Reports on Form 8-K filed with the SEC on August 9, 2005 and November 10, 2005, Fannie Mae estimates that it is unlikely Fannie Mae will complete Fannie Mae's Annual Report on Form 10-K for the year ended December 31, 2004, which will include Fannie Mae's restated results, prior to the second half of 2006. Fannie Mae also reported in Fannie Mae's Current Report on Form 8-K dated November 10, 2005 that the Board appointed Robert T. Blakely, III as Chief Financial Officer, Michael J. Williams as Chief Operating Officer, and Robert J. Levin as Chief Business Officer.

Form 8-K's that Fannie Mae files with the SEC on or prior to the date of this Official Statement are incorporated herein by reference.

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

THE ISSUER

The Administration is an agency in the Division of Development Finance of the Department, which is a principal department of the government of the State.

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

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 an agency in the Division of Development Finance of the Department.

The Secretary of Housing and Community Development (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 an agency within 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 a Housing Finance Review Committee (the "Review Committee") 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. The Review Committee 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 the Review Committee.

The Division of Credit Assurance, the insuring division of the Department, 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 under the direction of the Chief Financial Officer of the Department 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, under the direction of the Chief Financial Officer of the Department who reports to the Director of the Administration with respect to its financial functions.

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

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

The office of the Administration is located at 100 Community Place, Crownsville, Maryland 21032. Inquiries for documents or concerning this Official Statement should be directed to Anne P. Konrad, Director, Finance, at (410) 514-7326, konrad@dhcd.state.md.us.

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 BORROWER AND THE PROJECT

The following has been provided solely by the Borrower. None of the Issuer, the Trustee, Fannie Mae, the Loan Servicer, the Underwriters or any of their counsel, officers or employees, makes any representation as to the accuracy or sufficiency of such information.

Estimated Sources and Uses of Funds

The estimated sources and uses of Bond proceeds are projected to be approximately as follows:

Sources of Funds^{*}

Bond Proceeds	<u>\$5,000,000</u>
Total	<u>\$5,000,000</u>

Uses of Funds^{*}

Deposit to Mortgage Loan Fund	<u>\$5,000,000</u>
Total	<u>\$5,000,000</u>

Costs of issuance, capitalized interest, and certain amounts for escrows and reserves will be paid from other funds of the Borrower, including approximately \$450,000 of Low-Income Housing Tax Credit equity received at closing.

The Borrower

The Project is owned by the Borrower. The Borrower is a single-asset entity formed for the purpose of acquiring, developing, and operating the Project. POAH Washington Gardens LLC, a Massachusetts limited liability company, (the "General Partner") owns 0.01% partnership interest in the Borrower. The remaining 99.99% interest in the Borrower is limited partnership interests owned by

^{*} Preliminary; subject to change.

National Equity Fund Acceptance Corporation. The limited partners are expected to provide equity contributions totaling approximately \$3,234,286.

The General Partner, as well as the Developer and Manager described below, are affiliates of Preservation of Affordable Housing, Inc. ("POAH"). POAH is an Illinois corporation. Since its inception, POAH and its affiliates, including the General Partner, the Developer and the Manager, have engaged in the acquisition, rehabilitation and management of apartment projects eligible for federal low income housing tax credits, as well as other housing subsidy programs. POAH and its affiliates have acquired and rehabilitated, and currently have general partner or membership interests in, 25 housing projects ranging in size from 28 to 745 units with a total of 3,065 units under management

The Borrower has no substantial assets other than the Project and does not intend to acquire any other substantial assets or to engage in any substantial business activities other than those related to the ownership of the Project.

The obligations and liabilities of the Borrower under the Mortgage Note and Mortgage are of a non-recourse nature and are limited to the Project and moneys derived from the operation of the Project. Neither the Borrower nor its partners have any personal liability for payments on the Mortgage Note to be applied to pay the principal of and interest on the Bonds. Furthermore, no representation is made that the Borrower has substantial funds available for the Project.

A default on the Mortgage Loan by the Borrower could result in a redemption of the Bonds prior to their scheduled maturities. See "THE BONDS - Special Mandatory Redemption."

The Project

The Project, known as Washington Gardens Apartments, is an existing 100-unit apartment community originally constructed in 1982 located on an approximately 10-acre site in the City of Hagerstown, Maryland.

The Project consists of 7 two and three story apartment buildings and a one-story office building containing a total of approximately 93,000 gross total square feet. The construction is wood frame with a wood siding and masonry exterior.

Common areas include a leasing office, a laundry facility and a sport court/playground. Common areas account for a total of approximately 1,200 square feet. The Project has approximately 100 parking spaces.

The Project contains a mix of one, two, three and four bedroom units, whose unit mix and current rents (excluding utility allowance) are as follows:

Unit Type	Approximate Unit Size (Square Feet)	Number of Units	Average Monthly Rent
1 Bedrooms, 1 Bath	510 sq. ft.	12	\$518
2 Bedrooms, 1 Bath	957 sq. ft.	62	599
3 Bedrooms, 1 Bath	1023 sq. ft.	22	661
4 Bedrooms, 1 Bath	1454 sq. ft.	4	728

Each of the residential units is equipped with a refrigerator and freezer, range, vent hood and sink, and is pre-wired for telephone and cable television hookups. All residential units have individual controls for heating and cooling.

The Borrower intends to rent all of the units in the Project to persons meeting the income restrictions associated with Sections 42 and 142(d) of the Code. Those units are also subject to rent restrictions, which are initially expected to range from \$663 to \$1027 per unit. Under provisions of the Code relating to low income housing tax credits ("LIHTC"), tenant eligibility and rent restrictions must be maintained for a minimum of 15 years.

History of the Project

The Project was constructed in 1982 and has been in use since that time as a Section 8-assisted apartment complex for family residents of Washington County. The project completed a Mark-to-Market restructuring process and closed on a Section 223(a)(7) loan, with POAH Washington Gardens LLC as the purchaser, in October 2004. Since then, Preservation Housing Management, LLC, POAH Inc.'s affiliated management company, has managed the property. The Section 8 contract was renewed through the Mark-to-Market process for 20 years.

Summary of Operations

The following table provides a summary of operations of the Project for the year 2005 through September 30 based on unaudited financial statements prepared by the Borrower.

	2005 (through 9/30/05)
Operating Income	
Net Rental Income	\$519,878
Other Income	<u>11,514</u>
Total Income	\$531,392
Operating Expense	
Operating Expenses	\$173,580
Real Estate Taxes	<u>51,959</u>
Total Expenses	\$225,539
Net Operating Income Before Debt Service	\$305,853
Debt Service Expense	
Interest on mortgage payable	\$62,500
Interest on long term notes payable	26,727
Amortization on 1 st mortgage payable	974
Interest on capital recovery payment	1,936
Mortgage Insurance Premium	5,713
Interest on security deposits	<u>119</u>
Total Debt Service Fees	\$97,969
Net Operating Income After Debt Service (includes deductions for extraordinary repairs; excludes capital expenditures)	\$207,884

Average annual occupancy for the Project was approximately 97% for 2004, and 98% for 2003. Occupancy for the Project was approximately 98% as of September 30, 2005, the most recent date for which such information was available.

The Developer

The Project was developed by POAH, L.L.C. (the “Developer”), an Illinois limited liability company organized in 1999 in the State of Illinois. The Developer is affiliated with POAH. See “The Borrower” above for information about affiliates of the Developer.

The Property Manager

The manager for the Project is Preservation Housing Management, LLC (the “Manager”). The Manager is a limited liability company organized in 2002 in the State of Delaware. The Manager’s principal place of business is located in Chicago. The Manager operates a full service management enterprise and currently manages approximately 3065 units in 27 multifamily housing projects. The Manager has a staff of 15 professionals and 50 clerical personnel. The Manager is affiliated with POAH.

Rental Restrictions

The Project is subject to the Regulatory Agreement, which imposes certain requirements on the Borrower with respect to the tax-exempt status of the Bonds under the Code, which include, among other requirements, a set aside of 40% of the units in the Project for rental to persons or families having incomes at or below 60% of area median gross income, adjusted for family size and determined in accordance with Section 142(d) of the Code, and certain other requirements under state law. See “APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT.”

In connection with the low-income housing tax credits granted for the Project, the Borrower executed a low-income housing agreement in compliance with the requirements of Section 42 of the Code (the “Low-Income Housing Agreement”).

The Low Income Housing Agreement requires the low income housing tax credit income targeting and rent restrictions for the Project under Section 42 of the Code for the initial 15-year compliance period, subject only to a few exceptions. The Low Income Housing Agreement is to be executed by the Borrower and the Issuer before the end of the first year of the credit period (as defined in Section 42 of the Code) and recorded in the land records as a covenant running with the land. The Low Income Housing Agreement for the Project requires, among other things, that 40% of the completed and occupied dwelling units in the Project be occupied by tenants whose gross income is at or below 60% of area median gross income and that units be rent-restricted under Section 42(g)(2) of the Code throughout the extended use period as defined in the Code. Since the LIHTC rent schedule and set aside requirements are more stringent than the requirements under the Code with respect to the Bonds, the maximum rents will be established in accordance with the LIHTC rent schedule and the set asides will be determined under the LIHTC.

Under the Code, the extended use period terminates prior to its expiration date if the Project is acquired by foreclosure. Notwithstanding the foregoing, the Code requires that any termination of the extended use period due to foreclosure shall not permit before the close of a three year period following such foreclosure (a) the eviction or termination of tenancy of an existing tenant without cause or (b) any increase in the gross rent of any such units.

The Section 8 Contract

The Borrower and HUD entered into a project-based Section 8 Housing Assistance Payments Basic Renewal Contract (the “HAP Contract”) that covers 100% of the units in the Project with rents determined by HUD. Qualified tenants pay a maximum of 30 percent of their monthly adjusted gross income as rent with the HAP Contract contributing the remaining difference between the tenant share and the HUD determined monthly rental rate. The HAP Contract expires in 2025.

Payments under the HAP Contract are subject to annual appropriations by the United States Congress. The HAP Contract provides for annual adjustments to the monthly rent levels for the units by HUD; however, there is no assurance that HUD will adjust the rents to a level necessary to pay future operating costs and debt service on the Mortgage Loan.

The Department is the contract administrator under the HAP Contract. In such capacity, the Department may be required by its responsibilities under such Contract to reduce or terminate payments under the contract, or impose other sanctions, upon the Borrower if the Borrower fails to comply with the requirements of the Section 8 program. Any such action by the Department could adversely affect the availability of revenues to pay debt service on the Mortgage Loan

THE MORTGAGE NOTE

The Mortgage Loan will be evidenced by a Mortgage Note. The Mortgage Note will be a non-recourse obligation of the Borrower (subject to certain enumerated exceptions to non recourse liability) to repay the Mortgage Loan and will be secured by the Security Instrument. A portion of the principal amount of the Mortgage Note equal to \$2,610,000 will be payable monthly, will be due and payable in three hundred sixty (360) consecutive level monthly installments of principal and interest computed at the Mortgage Note Rate then in effect (subject to recalculation in connection with the remarketing of the Bonds on the Initial Remarketing Date) on the outstanding principal amount of the Mortgage Note, until the entire indebtedness evidenced by the Mortgage Note is paid in full, provided that any remaining indebtedness, if not sooner paid, will be due and payable on January 1, 2036. The remaining portion of the Mortgage Note will pay interest only monthly, with the principal due January 1, 2008. The Mortgage Note is subject to optional and mandatory prepayment at the times, in the manner and on the terms set forth therein.

The Mortgage Note will bear interest at the “Mortgage Note Rate.” The Mortgage Note Rate is 6.09% per annum for the period beginning on December 14, 2005 (the “Accrual Date”), to, but not including, the first day of the month preceding the Initial Remarketing Date (the “Initial Adjustment Date”) and will be subject to adjustment effective as of the Initial Adjustment Date, in the manner provided in the Mortgage Note.

The Mortgage Note Rate (as defined in the Financing Agreement) shall be comprised of:

- (a) a pass through rate of interest (the “Pass Through Rate”), which will be a rate sufficient to pay when due the interest on the Bonds and the Third Party Fees to the extent included in the Mortgage Note Rate; and
- (b) “Set Rate Interest,” which will be a percentage equivalent to the sum of (1) the Facility Fee payable to Fannie Mae and (2) the Servicing Fee payable to the Loan Servicer.

THE LOAN SERVICER

The Loan Servicer will perform mortgage servicing functions with respect to the Mortgage Loan on behalf of and in accordance with Fannie Mae's requirements. The servicing arrangements between Fannie Mae and the Loan Servicer for the servicing of the Mortgage Loan are solely between Fannie Mae and the Loan Servicer and neither the Issuer nor the Trustee is deemed to be party thereto or has any claim, right, obligation, duty or liability with respect to the servicing of the Mortgage Loan.

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

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

THE INDENTURE, FINANCING AGREEMENT AND REGULATORY AGREEMENT

Certain provisions regarding the deposit and disbursement of moneys in the Funds and Accounts, Events of Default, remedies and rights with respect to the Indenture are described in "APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" hereto. Certain provisions of the Regulatory Agreement regarding income and rental restrictions on the Project and remedies thereunder are described in "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT" hereto. Certain provisions of the Financing Agreement regarding the terms of the Mortgage Loan, prepayment rights of the Borrower and rights upon damage to the Project are described in "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT" hereto.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee, the Issuer and the owners of the Bonds upon an Event of Default under the Indenture are in many respects dependent upon regulatory and judicial actions, which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under the Financing Agreement, the Regulatory Agreement and the Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds, the Financing Agreement, the Regulatory Agreement and the Indenture may be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, by equitable remedies and proceedings generally, by common law and statutes affecting enforceability of contractual obligations generally and by principles of public policy concerning, affecting or limiting the enforcement of remedies against governmental entities such as the Issuer.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (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, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities financed with the proceeds of the Bond or a “related person” and (ii) interest on the Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code.

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 franchise taxes or estate or inheritance taxes.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Bonds. Bond Counsel 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 will 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 or will require the Borrower to make certain covenants in the Loan program 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 therefore 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 subsection. 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 (i) 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 (ii) 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 expected to be financed with the proceeds of the Bonds prior to the issuance date thereof. 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 Project generally will meet the continuing low income set aside requirement so long as a 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. 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 an 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. 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.

Possible Government Action

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. In addition, the Internal Revenue Service has established an expanded audit program for tax-

exempt bonds. There can be no assurance that legislation enacted or proposed or an audit initiated by the Internal Revenue Service involving either the Bonds or other tax-exempt bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds.

LITIGATION

The Borrower

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

The Issuer

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

CERTAIN LEGAL MATTERS

The authorization, issuance and delivery of the Bonds are subject to receipt of the opinion of Hawkins Delafield & Wood LLP, Washington, D.C., Bond Counsel, which will be in substantially the form set forth in APPENDIX F. Certain legal matters pertaining to the Administration will be passed upon by an Assistant Attorney General of the State as Counsel to the Department. Certain legal matters will be passed upon for the Underwriters by their counsel, Kutak Rock LLP, Atlanta, Georgia. Certain legal matters will be passed upon for the Borrower by its counsel, Gallagher Evelius & Jones LLP, Baltimore, Maryland.

CONTINUING DISCLOSURE

The Borrower will enter into a Continuing Disclosure Agreement dated as of December 1, 2005 (the "Continuing Disclosure Agreement") with the Trustee, acting as the Dissemination Agent, obligating the Borrower to send, or cause to be sent, certain financial information with respect to the Project to certain information repositories annually and to provide notice, or cause notice to be provided, to the Municipal Securities Rulemaking Board and a state information repository, if any, of certain enumerated events for the benefit of the Beneficial Owners and Holders of any of the Bonds, in order to allow the

Underwriters to meet the requirements of Section (b)(5)(i) of Securities Exchange Commission Rule 15c2-12 (the “Rule”). See “APPENDIX H - FORM OF CONTINUING DISCLOSURE AGREEMENT.”

A failure by the Borrower to comply with the provisions of the Disclosure Agreement will not constitute a default under the Indenture or Financing Agreement (although Bondholders will have any available remedy at law or in equity for obtaining necessary disclosures). Nevertheless, such a failure to comply is required to be reported in accordance with 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 has never failed to comply with an undertaking pursuant to the Rule.

RATING

Moody's has assigned its bond rating of “Aaa” to the Bonds. Such rating expresses only the views of Moody's. An explanation of the significance of the rating may be obtained from Moody's at 99 Church Street, New York, New York 10007. There is no assurance that such rating will continue for any given period of time or will not be revised or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision in or withdrawal of such rating may have an adverse effect on the market price of the Bonds. Neither the Administration, the Underwriters, the Credit Provider, nor the Borrower has undertaken any responsibility to bring to the attention of the holders of the Bonds any proposed downward revision or withdrawal of the rating of the Bonds, or to oppose any such proposed downward revision or withdrawal.

UNDERWRITING

The Bonds are being purchased on a negotiated basis by Bear, Stearns & Co. Inc., Ferris, Baker Watts, Incorporated and UBS Financial Services Inc. (collectively, the “Underwriters”). The Underwriters have agreed to purchase the Bonds at a price equal to the principal amount thereof. The Underwriters will receive a fee of \$47,503 relating to its purchase of the Bonds. 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, 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.

MISCELLANEOUS

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

ALTHOUGH THE ISSUER HAS AUTHORIZED AND APPROVED THIS OFFICIAL STATEMENT, THE ISSUER IS A CONDUIT ISSUER AND HAS NOT PREPARED OR PARTICIPATED IN THE PREPARATION OF THIS OFFICIAL STATEMENT AND IS NOT RESPONSIBLE FOR THE STATEMENTS MADE HEREIN EXCEPT FOR THE INFORMATION UNDER THE CAPTIONS "THE ISSUER" AND "LITIGATION" (TO THE EXTENT THAT THE INFORMATION UNDER SUCH CAPTIONS PERTAINS TO THE ISSUER) AND THE ISSUER WILL NOT PARTICIPATE IN OR BE RESPONSIBLE FOR THE OFFERING, SALE OR DISTRIBUTION OF THE BONDS.

CERTIFICATION

The execution and delivery of this Official Statement, and its distribution and use by the Underwriters, have been duly authorized and approved by the Issuer and the Borrower.

COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT

By: /s/ Mary A. Burkholder
Mary A. Burkholder, Director
Community Development Administration

WASHINGTON GARDENS PRESERVATION
ASSOCIATES LIMITED PARTNERSHIP, a Maryland
Limited Partnership,

By: POAH Washington Gardens LLC,
a Massachusetts limited liability company, its
General Partner

By: /s/ Amy S. Anthony
Amy S. Anthony, Manager

APPENDIX A

SUMMARY OF CERTAIN DEFINITIONS

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

Additional definitions are set forth in “APPENDIX G - FORM OF THE CREDIT FACILITY.”

“Account” means any Account within a Fund.

“Act” means Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (previously Sections 2-201 through 2-208 of Article 83B of the Annotated Code of Maryland).

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

“Advance” means an advance under the Credit Facility, which may be a Scheduled Payment Advance, a Bankruptcy-Related Advance, an Extraordinary Advance or a Purchased Bonds Advance, as each such term is defined in the Credit Facility.

“Annual Income” means gross income from all sources, including wages, investment income, social security, retirement, disability and unemployment insurance, less (i) unusual or temporary income items as determined by the Department, and (ii) abnormal expenses of long-term or unusual nature, such as extraordinary medical rehabilitation or special education expenses.

“Area Median Gross Income” 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 in a manner consistent with determinations of lower income families and area median gross income under Section 8 (“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).

“Assignment” means the Assignment and Intercreditor Agreement, dated as of December 1, 2005, by and among the Issuer, the Trustee and Fannie Mae, and acknowledged, accepted and agreed to by the Borrower, as it may be amended, modified, supplemented or restated from time to time.

“Authorized Borrower Representative” means any person who, at any time and from time to time, may be designated as the Borrower’s authorized representative by written certificate furnished to the Issuer, the Loan Servicer, the Credit Provider and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by or on behalf of any authorized general partner of the Borrower if the Borrower is a general or limited partnership, by any authorized managing member of the Borrower if the Borrower is a limited liability company, or by any authorized officer of the Borrower if the Borrower is a corporation, which certificate may designate an alternate or alternates. The Trustee may conclusively presume that a person designated in a written certificate filed with it as an Authorized Borrower Representative is an Authorized Borrower Representative until such time as the Borrower files with it (with a copy to the Issuer, the Loan Servicer and the Credit Provider) a written certificate identifying a different person or persons to act in such capacity.

“Authorized Denomination” means \$5,000 or any integral multiple of \$5,000.

“Authorized Officer” means the Secretary, the Deputy Secretary of Housing and Community Development, the Director, the Deputy Director Bond Finance, and any Director of any program or division of the Issuer or any other person duly authorized by the Secretary to perform such act or discharge such duty, and such additional person or persons, if any, duly designated by the Issuer in writing to act on its behalf.

“Available Moneys” means, as of any date of determination (a) the proceeds of the Bonds and remarketing proceeds (other than funds provided by the Issuer, the Borrower, any general partner of the Borrower or any guarantor of the Borrower’s obligations relating to the Mortgage Loan or the Bonds, if applicable, or the Issuer), (b) moneys received by the Trustee pursuant to the Credit Facility, (c) any other amounts with respect to which the Trustee has received an Opinion of Counsel to the effect that (i) the use of such amounts to make payments on the Bonds would not violate Section 362(a) of the Bankruptcy Code or that relief from the automatic stay provisions of such Section 362(a) would be available from the bankruptcy court and (ii) payments of such amounts to the Bondholders would not be avoidable as preferential payments under Section 547 of the Bankruptcy Code should the Issuer or the Borrower become a debtor in proceedings commenced under the Bankruptcy Code, and (d) Investment Income derived from the investment of moneys described in clause (a), (b) or (c).

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

“Beneficial Owner” means the beneficial owner of any Bond held in book-entry form or the Registered Owner of any Bond held in certificated form.

“Bond” or “Bonds” means the Issuer’s Multifamily Development Revenue Bonds (Washington Gardens), Series 2005 B, in the original aggregate principal amount of \$5,000,000.

“Bond Counsel” means (a) on the Closing Date, the law firm or law firms delivering the approving opinion(s) with respect to the Bonds or (b) after the Closing Date, any law firm selected by the Issuer and acceptable to Fannie Mae, of nationally recognized standing in matters pertaining to the excludability from gross income, for federal income tax purposes, of the interest payable on bonds issued by states and political subdivisions.

“Bond Documents” means the Indenture, the Assignment, the Credit Facility, the Financing Agreement, the Regulatory Agreement, the Bond Purchase Agreement, the Tax Certificate, the Disclosure Agreement, the Remarketing Agreement and all other documents, agreements and instruments executed and delivered in connection with the issuance, sale, delivery and/or remarketing of the Bonds, as each such document, agreement or instrument may be amended, modified, supplemented or restated from time to time.

“Bondholder,” “holder,” “Owner,” “owner,” “Registered Owner” or “registered owner” means, with respect to any Bond, the Registered Owner of the Bond.

“Bond Payment Date” means any (a) Interest Payment Date, (b) other date on which interest is payable, including any Redemption Date, each Maturity Date and the date of payment following a declaration of acceleration of the Bonds and (c) date on which principal of the Bonds is payable.

“Bond Purchase Agreement” means the Bond Purchase Agreement, dated November 30, 2005, by and among the Underwriters, the Issuer and the Borrower.

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

“Bond Register” means the bond register established and maintained by the Trustee pursuant to the Indenture.

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

“Bond Year” means the period of twelve consecutive months ending on December 31 in any year in which Bonds are or will be Outstanding, provided that the first Bond Year shall commence on the Closing Date and end on December 31, 2005.

“Book-Entry Bonds” means any Bonds which are issued in book-entry form, as evidenced by a single certificate for each stated principal maturity of the Bonds, and registered in the name of and delivered to a Securities Depository.

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

“Borrower” means Washington Gardens Preservation Associates Limited Partnership, a Maryland limited partnership.

“Borrower Documents” means all documents (including, but not limited to, the Bond Documents and the Mortgage Loan Documents) to which the Borrower is a party and all other documents to which the Borrower is a party and which are being executed and delivered by the Borrower in connection with the transactions provided for in the Bond Documents and the Mortgage Loan Documents.

“Business Day” means any day other than:

- (a) a Saturday or a Sunday; or
- (b) any day on which banking institutions located in the city or cities in which the Principal Office of the Trustee is located are required or authorized by law or executive order to close; or
- (c) any day on which banking institutions located in the city in which the Principal Office of the Loan Servicer is located are required or authorized by law or executive order to close;
- (d) a day on which Fannie Mae is closed; or
- (e) a day on which the New York Stock Exchange is closed.

“Cash Flow Projection” means a cash flow projection prepared by an independent firm of certified public accountants, a financial advisory firm or other independent third party qualified and experienced in the preparation of cash flow projections for mortgage loans, designated by the Issuer and acceptable to Fannie Mae and the Rating Agency, establishing, to the satisfaction of the Rating Agency, the sufficiency of (a) the scheduled payments due under the Mortgage Note (together with and after taking into account the Initial Debt Service Deposit) and (b) Investment Income with respect to the General Account, to pay the principal of and interest on the Bonds and the Third Party Fees (to the extent included in the Mortgage Note Rate), in each instance, when due and payable, including, but not limited to, any cash flow projection prepared in connection with (i) the initial issuance and delivery of the Bonds,

(ii) a remarketing of the Bonds or (iii) a partial prepayment of the Mortgage Loan and a corresponding partial redemption of Bonds.

“Closing Date” means the date on which the Bonds are issued and delivered.

“Cost,” “Costs” or “Costs of the Mortgaged Property” means, with respect to the Mortgaged Property, the costs chargeable to the Mortgaged Property in accordance with generally accepted accounting principles, including, but not limited to, the costs of acquisition, rehabilitation, construction, reconstruction, restoration, repair, alteration, improvement and extension (in any of such events, “construction”) of any building, structure, facility or other improvement; stored materials for work in progress; the cost of machinery and equipment; the cost of the Land, rights-in-lands, easements, privileges, agreements, franchises, utility extensions, disposal facilities, access roads and site development necessary or useful and convenient for the Mortgaged Property; financing costs, including, but not limited to, the Costs of Issuance, engineering and inspection costs; fees paid to the developer of the Mortgaged Property; organization, administrative, insurance, legal, operating, letter of credit and other expenses of the Borrower actually incurred prior to and during construction; and all such other expenses as may be necessary or incidental to the financing, acquisition, rehabilitation or completion of the Mortgaged Property or any part of it; insurance premiums payable by the Borrower and taxes and other governmental charges levied on the Mortgaged Property.

“Costs of Issuance,” as defined in the Indenture, means (a) the fees, costs and expenses of (i) the Issuer, the Issuer’s counsel and the Issuer’s financial advisor, if any, (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 Loan Servicer and the Loan Servicer’s counsel, (vi) Fannie Mae and Fannie Mae’s counsel, (vii) the Borrower’s counsel and the Borrower’s financial advisor, if any, and (viii) the Rating Agency, (b) the costs of preparing the initial Cash Flow Projection, (c) costs of printing the offering documents relating to the sale of the Bonds and (d) all other fees, costs and expenses directly associated with the authorization, issuance, sale and delivery of the Bonds, including, but not limited to, printing costs, costs of reproducing documents, filing and recording fees, and any fees, costs and expenses required to be paid to the Loan Servicer in connection with the Mortgage Loan.

“Costs of Issuance Deposit” means any deposit to be made by the Borrower with the Trustee on the Closing Date and deposited by the Trustee into the Costs of Issuance Fund.

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

“Credit Facility” means the Credit Enhancement Instrument (Stand-By), dated the Closing Date issued by Fannie Mae to the Trustee.

“Credit Facility Account” means the Credit Facility Account of the Revenue Fund created by the Indenture.

“Credit Facility Agreement” means, individually or collectively, the Reimbursement Agreement, the Pledge Agreement and all other agreements and documents securing Fannie Mae or otherwise relating to the provision of the Credit Facility, as any such agreement may be amended, modified, supplemented or restated from time to time.

“Custodian” means the custodian under the Pledge Agreement.

“Dated Date” means the date designated as such on the face of the Bonds.

“Designated Unit” means a Unit that has been designated by the Owner as a Unit to be occupied or held for occupancy by Federal Lower Income Tenants or State Lower Income Tenants, and which may be occupied only by Federal Lower Income Tenants or State Lower Income Tenants.

“Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of December 1, 2005, between the Borrower and the Trustee, as Dissemination Agent.

“Dissemination Agent” means the Trustee, as Dissemination Agent under the Continuing Disclosure Agreement.

“DTC” means The Depository Trust Company and any successor to it or any nominee of it.

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

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

“End Period Payment” means, with respect to any optional redemption of Bonds pursuant to the Indenture, the premium due on the Bonds, if any, and interest due on the Bonds from the date of prepayment of the Mortgage Loan to the Redemption Date.

“Event of Default” means, with respect to the Indenture, any of the events summarized in Appendix B, “Default Provisions and Remedies - Events of Default,” and, with respect to the Financing Agreement, any of the events summarized in Appendix D, “Events of Default and Remedies - Events of Default.”

“Extraordinary Items” means, with respect to the Trustee, reasonable compensation for extraordinary services and/or reimbursement for reasonable extraordinary costs and expenses.

“Family” means (1) two or more persons who occupy the same Unit, or (2) a single person.

“Family of Limited Income” means a Family whose Annual Income does not exceed upper income limits established from time to time by the Secretary of the Department pursuant to the Act, which limits are currently, for an individual, 68% of the Statewide median income for a four person household, and for families of two or more, 85% of the Statewide median income for a four person household.

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

“Federal Lower Income Tenants” means individuals whose income is 60% or less of Area Median Gross Income as adjusted for family size. The percentage of Area Median Gross Income that shall qualify for each family size shall be:

Family of four persons	60%
Family of three persons	54%
Family of two persons	48%
Family of one person	42%

“Federal Lower Income Tenant Occupancy Requirement” means the requirement of the Code that 40% of the units in the Project be occupied by Federal Lower Income Tenants as provided in Section 2.2(a)(i) hereof.

“Fees Account” means the Fees Account of the Revenue Fund created by the Indenture.

“Financing Agreement” means the Financing Agreement, dated as of the date of the Indenture, among the Issuer, the Trustee and the Borrower, as amended, modified, supplemented or restated from time to time.

“Fund” means any Fund created by the Indenture.

“General Account” means the General Account of the Revenue Fund created by the Indenture.

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

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

“Improvements” means the improvements made or to be made upon the Land.

“Indenture” means the Trust Indenture, dated as of December 1, 2005, as amended, modified, supplemented or restated from time to time as permitted by the Indenture.

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

“Initial Debt Service Deposit” means the deposit to be made by the Borrower with the Trustee on the Closing Date, as required by the Financing Agreement, to be funded with funds of the Borrower and deposited by the Trustee, into the General Account.

“Initial Remarketing Date” means February 1, 2024.

“Interest Payment Date” means February 1 and August 1 of each year, beginning August 1, 2006, each Redemption Date, each Maturity Date and the date of payment upon an acceleration of the Bonds.

“Investment Agreement” means any investment agreement with respect to amounts on deposit in any Fund or Account, as described in paragraph (vii) of the definition of Permitted Investments.

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

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

“Issuer” means the Community Development Administration, an agency in the Division of Development Finance of the Department of Housing and Community Development, a principal department of the government of the State of Maryland, and its successors and assigns.

“Issuer’s Annual Fee” shall mean the Issuer’s annual fee equal to 0.25% of the outstanding balance of the Mortgage Note payable by the Borrower as part of the Mortgage Note Rate pursuant to the Financing Agreement.

“Land” means the real property described in the Security Instrument.

“Letter of Credit Agreement (Tax Differential)” means the Letter of Credit Agreement (Tax Differential), dated as of December 1, 2005, between the Borrower and Fannie Mae.

“Loan Servicer” means Prudential Multifamily Mortgage, Inc., a Delaware corporation, as servicer of the Mortgage Loan, and any successor servicer appointed by Fannie Mae.

“Lower Income Tenant” means a Federal Lower Income Tenant or a State Lower Income Tenant, as applicable.

“Maturity Date” means any maturity date shown in the Indenture.

“Moody’s” means Moody’s Investors Service, Inc., a Delaware corporation, and its successors and assigns, or if it shall be dissolved or shall no longer assign credit ratings to long-term debt, then any other nationally recognized statistical rating agency, designated by Fannie Mae, as shall assign credit ratings to long-term debt.

“Mortgage Loan” means the loan made by the Issuer to the Borrower pursuant to the terms and provisions of the Financing Agreement.

“Mortgage Loan Documents” means, collectively, the Mortgage Note, the Security Instrument and all other agreements, documents and instruments evidencing, securing or otherwise relating to the Mortgage Loan, including all amendments, modifications, supplements and restatements of such agreements, documents and instruments, but excluding Financing Agreement and the Regulatory Agreement.

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

“Mortgage Note” means the Multifamily Note, dated as of December 1, 2005, executed by the Borrower in favor of the Issuer together with all addenda and schedules, evidencing the Mortgage Loan, as the same may be amended, modified, supplemented or restated from time to time, or any note executed in substitution therefor, as such substitute note may be amended, modified, supplemented or restated from time to time.

“Mortgage Note Rate” means the per annum rate of interest set forth in the Mortgage Note.

“Mortgaged Property” means the Land and the Improvements.

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

“Net Bond Proceeds Account” means the Net Bond Proceeds Account of the Costs of Issuance Fund.

“Opinion of Bond Counsel” means a written opinion of Bond Counsel addressed to the Issuer, with a reliance letter to Trustee, and, upon its request, the Credit Provider, and in form and substance acceptable to the Issuer and the Trustee.

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

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

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

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

“Pass-Through Rate” means a pass-through rate of interest which shall be a rate sufficient to pay when due the interest on the Bonds and the Third Party Fees.

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

- (i) Government Obligations;
- (ii) direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, any agency or instrumentality of the

United States of America (other than the Federal Home Loan Mortgage Corporation), which obligations are rated in the Highest Rating Category;

(iii) obligations, in each case rated in the Highest Rating Category, of (a) any state or territory of the United States of America, (b) any agency, instrumentality, authority or political subdivision of a state or territory, (c) any public benefit or municipal corporation the principal of and interest on which are guaranteed by such state or political subdivision or (d) any state or territory of the United States of America or any agency, instrumentality, authority or political subdivision of a state or territory which have been advance refunded and are secured by Government Obligations or by other such pre-refunded municipal securities;

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

(v) commercial paper rated in the Highest Rating Category;

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

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

(1) the invested funds are available for withdrawal without penalty or premium at any time that (a) the Trustee is required to pay moneys from the Fund(s) to which the Investment Agreement is applicable or (b) any Rating Agency indicates that it will lower, suspend or withdraw or actually lowers, suspends or withdraws the rating on the Bonds on account of the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the Investment Agreement;

(2) the Investment Agreement is the unconditional and general obligation of the Qualified Financial Institution providing, and, if applicable, the Qualified Financial Institution guaranteeing or insuring, the Investment Agreement, and is not subordinated to any other obligation;

(3) the Trustee receives an Opinion of Counsel that the Investment Agreement is legal, valid, binding and enforceable, in accordance with its terms, upon the Qualified Financial Institution providing the Investment Agreement and, if applicable, an Opinion of Counsel that any guaranty or insurance policy provided by a Qualified Financial Institution guaranteeing or insuring the Investment Agreement is legal, valid, binding and enforceable, in accordance with its terms, upon such Qualified Financial Institution; and

(4) the Investment Agreement provides that if during its term the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the Investment Agreement is withdrawn or suspended by any rating agency or falls below the Highest Rating Category, such Qualified Financial Institution will, within ten (10) days following the withdrawal, suspension or downgrade, either: (a) (1) collateralize the Investment Agreement (if the Investment Agreement is not already collateralized) with Permitted Investments described in paragraph (i) or (ii) above by depositing such collateral with the Trustee or a third party custodian, such collateralization to be effected in a manner and in an amount sufficient to maintain (A) the integrity of the Cash Flow Projection most recently provided with respect to the Bonds and (B) the then-current rating of the Bonds, or, if the Investment Agreement is already collateralized, increase the collateral with Permitted Investments described in paragraph (i) or (ii) above by depositing such collateral with the Trustee or a third party custodian, such collateralization to be effected in a manner and in an amount sufficient to maintain (C) the integrity of the Cash Flow Projection most recently provided with respect to the Bonds and (D) the then-current rating of the Bonds, (2) transfer the Investment Agreement and the rights and obligations of the Qualified Financial Institution under the Investment Agreement to a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category or whose obligations are unconditionally guaranteed or insured by a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category or (3) deliver a guarantee from a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category or (b) at the direction of the Trustee, following the failure of the Qualified Financial Institution to take one or more of the actions described in the foregoing clauses (a)(1)-(1)(3), repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Trustee unless required by law (the Investment Agreement may provide that the Qualified Financial Institution providing the Investment Agreement shall have the right to elect among the actions described in clauses (a)(1), (a)(2) and (a)(3), but shall not have the right to elect the action described in clause (b) as an alternative to the actions described in clauses (a)(1), (a)(2) and (a) (3);

(5) the Investment Agreement must be collateralized at 102% with Permitted Investments described in paragraph (i) or (ii) above, and such collateral must be deposited with a Trustee or a third party custodian and marked to market on a weekly basis;

(viii) any money market mutual fund (including those of the Trustee and its affiliates) registered under the Investment Company Act of 1940, as amended, that have been rated “AAAm-G” or “AAAm” by S&P or “Aaa” by Moody’s, so long as the portfolio of such money market mutual fund is limited to Government Obligations and/or agreements to purchase Government Obligations; if approved in writing by the Credit Provider, a money market mutual fund portfolio may also contain obligations and agreements to repurchase obligations described in paragraphs (ii) or (iii) above; a money market mutual fund is not a Permitted Investment if both S&P and Moody’s rate the money market mutual fund and one such rating is below the level required by this paragraph.

(ix) any other investment authorized by the laws of the State if such investment is approved by the Credit Provider and the Rating Agency.

provided that Permitted Investments shall not include the following: (1) any investment with a final maturity or any agreement with a term greater than one year from the date of the investment (except (a) obligations that provide for the optional or mandatory tender, at par, by the holder of such obligations at least once within one year of the date of purchase, (b) Government Obligations irrevocably deposited with the Trustee for payment of Bonds pursuant to Article VIII and (c) investments listed in paragraph (vii) and (ix) above), (2) any obligation (other than obligations described in paragraph (i) and (ii) above) with a purchase price greater or less than the par value of such obligation, (3) any asset-backed security, including mortgage-backed securities, real estate mortgage investment conduits, collateralized mortgage obligations, credit card receivable asset-backed securities and auto loan asset-backed securities, (4) any interest-only or principal-only stripped security, (5) any obligation bearing interest at an inverse floating rate, (6) any investment which may be prepaid or called at a price less than its purchase price prior to stated maturity, (7) any investment the interest rate on which is variable and is established other than by reference to a single interest rate index plus a single fixed spread, if any, and which interest rate moves proportionately with that index, (8) any investment described in paragraph (iv) or (vii) above with a Qualified Financial Institution (as defined in clause (d) of the definition of "Qualified Financial Institution") if the Qualified Financial Institution does not agree to submit to jurisdiction, venue and service of process in the United States of America in the Investment Agreement and (9) any investment to which the Rating Agency has added an "r" or "t" highlighter.

If an Investment Agreement is entered into which does not require the Qualified Financial Institution providing the Investment Agreement to either (a) satisfy one or more of the requirements of clause (a) of subparagraph (4) of paragraph (vii) above upon a withdrawal or suspension of, or downgrade in the rating of the Qualified Financial Institution providing the Investment Agreement or (b) compensate the Trustee for any loss in yield upon reinvestment if the Investment Agreement is terminated following a withdrawal or suspension of, or downgrade in, the rating of the Qualified Financial Institution providing, guaranteeing or insuring the Investment Agreement, the yield on the Investment Agreement above the minimum yield permitted by the Rating Agency (presently 1.75% per annum for the first 4 years, 2% per annum for year 5 and 2.5% per annum thereafter) shall not be taken into account in any Cash Flow Projection provided to the Rating Agency in connection with its rating of the Bonds.

"Person" means any natural person, firm, partnership, association, limited liability company, corporation, company or public body.

"Pledge Agreement" means the Pledge, Security and Custody Agreement, dated as of December 1, 2005, by and among the Borrower, the Trustee, as collateral agent for Fannie Mae, and Fannie Mae, as such agreement may be amended, modified, supplemented or restated from time to time.

"Project" means the 100-unit multi-family housing facility for low and moderate income persons in the Hagerstown, Maryland, to be financed with the Bonds, as described in the Financing Agreement, including the Land and the Improvements to the Land, comprising the Project.

"Project Account" means the Project Account of the Mortgage Loan Fund created by the Indenture.

"Purchased Bond" means any Bond (a) tendered for purchase by a Bondholder pursuant to the Indenture and purchased by the Trustee for the account of the Borrower, with amounts provided by the Credit Provider under the Credit Facility, and (b) pledged to the Custodian under the Pledge Agreement for the benefit of Fannie Mae. A Bond is a "Purchased Bond" only during the period (a) beginning on

and including the date of its purchase by the Borrower and (b) ending on and excluding the date on which the Amount Available under (and as defined in) the Credit Facility with respect to the Bond is reinstated under the Credit Facility.

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

“Qualified Project Period” means that period, beginning on the first day on which at least 10% of the dwelling units in the Project are first occupied following issuance of the Bonds and ending on the latest of (1) the date which is 15 years after the date on which at least 50% of the units in the Project are first occupied following issuance of the Bonds, (2) the first day on which no tax-exempt bond issued with respect to the Project is outstanding, or (3) the date on which any assistance provided with respect to the Project under a Section 8 Housing Assistance Payment Contract terminates.

“Rating Agency” means any national rating agency then maintaining a rating on the Bonds.

“Rating Category” means one of the generic rating categories of the Rating Agency.

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

“Rebate Analyst’s Annual Fee” means the annual fee of the Rebate Analyst, if any, in the amount of up to \$1,000 for its rebate calculation services.

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

“Record Date” means, with respect to any Interest Payment Date, the fifteenth day of the month preceding the month in which the Interest Payment Date falls.

“Redemption Account” means the Redemption Account of the Revenue Fund created by the Indenture.

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

“Registered Owner” or “Registered Owners” means the registered owner or owners of any Bonds, as shown in the Bond Register.

“Regulatory Agreement” means the Regulatory Agreement and Agreement and Declaration of Covenants and Restrictions, relating to the Project, dated as of December 1, 2005, by and between the Issuer and the Borrower, as amended, modified, supplemented or restated from time to time.

“Reimbursement Agreement” means the Reimbursement Agreement, dated as of December 1, 2005, between Fannie Mae and the Borrower, as amended, modified, supplemented or restated from time to time or any agreement entered into in substitution therefor.

“Remarketing Agent” means Bear, Stearns & Co. Inc. and any successor designated in the manner provided in the Indenture.

“Remarketing Agreement” means the Remarketing Agreement, dated as of December 1, 2005, between the Borrower and the Remarketing Agent, as amended, modified, supplemented or restated from time to time, or any agreement entered into in substitution therefor with a substitute Remarketing Agent.

“Remarketing Date” means (a) the Initial Remarketing Date and (b) if the Bonds Outstanding on such date or on any subsequent Remarketing Date are remarketed pursuant to the Indenture for a Remarketing Period which does not extend to the final maturity of the Bonds, the day after the last day of the Remarketing Period.

“Remarketing Expenses” means the fees, costs and expenses incurred by the Trustee and its counsel, the Remarketing Agent and its counsel, the Issuer and its counsel, the Loan Servicer and its counsel, Fannie Mae and its counsel and Bond Counsel in connection with the remarketing of the Bonds, including bond printing and registration costs, costs of funds advanced by the Remarketing Agent, registration and filing fees, rating agency fees and other costs and expenses incurred in connection with or properly attributable to the remarketing of Bonds.

“Remarketing Expenses Account” means the Remarketing Expenses Account of the Bond Purchase Fund.

“Remarketing Period” means the period beginning on a Remarketing Date and ending, as the case may be, on the last day of the term for which Bonds are remarketed pursuant to the Indenture or the final Maturity Date of the Bonds, as applicable.

“Remarketing Proceeds Account” means the Remarketing Proceeds Account of the Bond Purchase Fund.

“Remarketing Rate” means the interest rate established pursuant to the Indenture and borne by the Bonds then Outstanding from and including each Remarketing Date to, but not including, the next succeeding Remarketing Date or the final Maturity Date of the Bonds, as applicable.

“Replacement Credit Facility” has the meaning given to that term in the Indenture.

“Requisition” means, with respect to the Costs of Issuance Fund, the requisition in the form of an exhibit to the Indenture required to be submitted in connection with disbursements from the Costs of Issuance Fund.

“Reserved Rights” means those certain rights of the Issuer under the Financing Agreement to indemnification and to payment or reimbursement of fees and expenses of the Issuer, its right to give and receive notices and to enforce notice and reporting requirements and restrictions on transfer of ownership, its right to inspect and audit the books, records and premises of the Borrower and of the Project, its right to collect attorneys’ fees and related expenses, its right to specifically enforce the Borrower’s covenant to comply with applicable federal tax law and State law (including the Act and the rules and regulations of the Issuer, if any) and its rights to give or withhold consent to amendments, changes, modifications and alterations to the Financing Agreement relating to Reserved Rights.

“Revenue Fund” means the Revenue Fund created by the Indenture.

“Revenues” means all (a) payments made under the Mortgage Note, (b) payments made under the Credit Facility and (c) Investment Income (excluding Investment Income earned from moneys on deposit in the Rebate Fund and the Costs of Issuance Deposit Account of the Costs of Issuance Fund.

“Section 8” means Section 8 of the United States Housing Act of 1937, as amended, and the regulations promulgated thereunder.

“Section 8 Unit” means a Unit with respect to which Section 8 housing assistance payments are to be made pursuant to a Section 8 Housing Assistance Payments Contract.

“Securities Depository” means, initially, The Depository Trust Company, New York, New York, and its successors and assigns, and any replacement securities depository appointed under the Indenture.

“Security” means the Trust Estate and the Credit Facility.

“Security Instrument” or “Mortgage” means the Multifamily Deed of Trust, Assignment of Rents and Security Agreement dated as of the date of the Indenture, together with all riders and exhibits, securing the Mortgage Note, executed by the Borrower with respect to the Project, as it may be amended, modified, supplemented or restated from time to time, or any security instrument executed in substitution therefor, as such substitute security instrument may be amended, modified, supplemented or restated from time to time.

“Servicing Fee” means the fee payable to the Loan Servicer for servicing the Mortgage Loan for Fannie Mae.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns, or if it shall be dissolved or shall no longer assign credit ratings to long-term debt, then any other nationally recognized statistical rating agency, designated by the Issuer and acceptable to the Trustee, Fannie Mae and the Borrower, as shall assign credit ratings to long-term debt.

“State” means the State of Maryland.

“State Lower Income Tenants” means individuals whose income is 60% or less of Area Median Gross Income as adjusted for family size. The percentage of Area Median Gross Income that shall qualify for each family size at the 60% or less of Area Median Gross Income level shall be:

Family of four persons	60%
Family of three persons	54%
Family of two persons	48%
Family of one person	42%

“State Lower Income Tenant Occupancy Period” means that period, beginning on the first to occur of (i) December 31 of the first taxable year of the credit period for the federal low-income housing tax credits allocated to the Project or (ii) the date on which the Owner is in compliance with the State Lower Income Tenant Occupancy Requirement and ending on the last to occur of (x) the same day as the Qualified Project Period ends, (y) the date the Loan is paid in full, or (z) the date which is forty (40) years after commencement of the State Lower Income Tenant Occupancy Period.

“State Lower Income Tenant Occupancy Requirement” means the requirement imposed by the Issuer that one hundred percent (100%) of the units in the Project be occupied by State Lower Income Tenants as provided in the Regulatory Agreement.

“Supplemental Indenture” means any indenture duly authorized and entered into between the Issuer and the Trustee amending or supplementing the Indenture in accordance with the provisions of the Indenture.

“Tax Certificate” means the Issuer’s Non-Arbitrage Certificate dated the Closing Date, executed and delivered by the Issuer and the Borrower.

“Third Party Fees” means, individually or collectively, as the context shall require, (a) the Trustee’s Annual Fee, (b) the Issuer’s Annual Fee, and (c) the Rebate Analyst’s Annual Fee, if any.

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

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

“Trustee’s Annual Fee” means the annual continuing trust administration fee of the Trustee equal to \$4,500 per annum plus expenses payable in advance by the Borrower as provided in the Financing Agreement.

“Undelivered Bond” means any Bond that is required under the Indenture to be delivered to the Remarketing Agent or the Trustee for purchase on a Remarketing Date but that has not been received on the date such Bond is required to be so delivered.

“Underwriters” means, collectively, Bear, Stearns & Co. Inc., Ferris, Baker Watts, Incorporated and UBS Financial Services Inc.

“Unit” shall mean “Unit” as defined in Treasury Regulations §1.103-8(b)(8), comprising a portion of the Project rented or held available for rental to tenants.

“Verification Agent” means an independent firm of certified public accountants, an independent financial advisory firm or other independent third party designated by the Borrower and acceptable to Fannie Mae and the Issuer, qualified and experienced in the verification of the mathematical accuracy of scheduled cash flows and other funds to pay the principal of and interest on bonds and fees, which has been engaged to prepare a Verification Report.

“Verification Report” means a report prepared by a Verification Agent verifying the mathematical accuracy of a Cash Flow Projection.

“Wrongful Dishonor” means an uncured failure by Fannie Mae to make an Advance to the Trustee upon proper presentation of a Certificate which conforms to the terms and conditions of the Credit Facility.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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

Creation of Funds and Accounts

The following Funds and Accounts are created by and shall be held and administered by the Trustee in accordance with the provisions of the Indenture:

- (a) the Mortgage Loan Fund;
- (b) the Revenue Fund and, within the Revenue Fund, the General Account, the Redemption Account, the Credit Facility Account and the Fees Account;
- (c) the Costs of Issuance Fund and within the Costs of Issuance Fund, a Costs of Issuance Deposit Account and a Net Bond Proceeds Account;
- (d) the Rebate Fund;
- (e) the Bond Purchase Fund and, within the Bond Purchase Fund, a Remarketing Proceeds Account and a Remarketing Expenses Account; and
- (f) the Capitalized Interest Fund.

The Mortgage Loan Fund

Disbursements and Transfers.

Amounts on deposit in the Mortgage Loan Fund shall be disbursed by the Trustee to fund the Mortgage Loan upon satisfaction of the conditions to the delivery of the Bonds.

The Revenue Fund

Deposits Into the General Account.

The Trustee shall deposit each of the following amounts into the General Account of the Revenue Fund:

- (a) on the Closing Date, the Initial Debt Service Deposit and the accrued interest on the Bonds, as provided in the Indenture;
- (b) all regularly scheduled payments of principal, if any, and interest on the Mortgage Loan;
- (c) interest paid in connection with any prepayment of the Mortgage Loan;

(d) all Investment Income on the Funds and Accounts (except that Investment Income earned on amounts on deposit in the Accounts of the Mortgage Loan Fund shall be credited to and be retained in the respective Accounts of the Mortgage Loan Fund, Investment Income earned on accounts on deposit in the Rebate Fund shall be credited to and be retained in the Rebate Fund and Investment Income earned on amounts on deposit in the Costs of Issuance Fund shall be credited to and be retained in the Costs of Issuance Fund);

(e) from time to time, upon receipt, Available Moneys provided pursuant to the Indenture to fund the interest portion of any End Period Payment; and

(f) any other moneys made available for deposit into the General Account from any other source, including, but not limited to, any excess amounts in the Bond Purchase Fund pursuant to the Indenture.

Deposits Into the Redemption Account.

The Trustee shall deposit each of the following amounts into the Redemption Account of the Revenue Fund:

(a) any prepayment of principal of the Mortgage Loan, and any Available Moneys provided by or on behalf of the Borrower pursuant to the Indenture to fund any premium on the Bonds to be paid in connection with such prepayment;

(b) that portion of any other deposit or transfer of funds representing principal corresponding to the principal to be paid on any optional or special mandatory redemption of Bonds;

(c) any amount required to be transferred from the General Account to the Redemption Account described in the section “Disbursements From the Accounts of the Revenue Fund” below;

(d) any amount to be transferred from the General Account to the Redemption Account provided for in the Indenture; and

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

Deposits Into the Credit Facility Account.

The Trustee shall deposit all amounts advanced under the Credit Facility. No other moneys shall be deposited into the Credit Facility Account. The Credit Facility Account shall be closed at such time as Fannie Mae has no continuing liability under the Credit Facility.

Deposits Into the Fees Account.

The Trustee shall deposit into the Fees Account the amounts provided for in the Indenture and any payment of a Third Party Fee pursuant to the Financing Agreement, to the extent that such Third Party Fee is not included in the Mortgage Note Rate.

Disbursements From the Accounts of the Revenue Fund.

Moneys on deposit in the various Accounts of the Revenue Fund shall be disbursed or transferred, as applicable:

(a) from the General Account at the following times, applied in the following manner and in the following order of priority:

(i) on each Interest Payment Date, first, as to the Bonds maturing in 2008, from amounts transferred from the Capitalized Interest Fund, the Trustee shall disburse an amount equal to the amount of interest due on the Bonds on such Interest Payment Date and shall apply such amount to the payment of such interest so due;

(ii) on each Redemption Date on which a mandatory sinking fund redemption pursuant to the Indenture is scheduled to take place, the Trustee shall transfer to the Redemption Account an amount of principal equal to the sinking fund redemption payment due on such Redemption Date;

(iii) on each Maturity Date and on the date of acceleration of the Bonds, the Trustee shall disburse an amount equal to the principal due on the Bonds on such date and shall apply such amount to the payment of such principal so due;

(iv) on each Interest Payment Date, the Trustee shall transfer an aggregate amount equal to that portion of the Issuer's Annual Fee, the Trustee's Annual Fee, and the Rebate Analyst's Annual Fee (to the extent (A) such Third Party Fees are included in the Mortgage Note Rate pursuant to the Financing Agreement and (B) such Third Party Fees are not paid in advance on the Closing Date) payable on such date (or on any date prior to the next Interest Payment Date) to the Fees Account;

(v) on each Interest Payment Date following the disbursement, transfer and application of funds described in the preceding paragraphs (i) through (iv), the Trustee shall transfer any amounts remaining in the General Account in excess of the minimum balance required to be maintained on the basis of the Cash Flow Projection attached to the Indenture to the Redemption Account and, following such transfer, shall apply any moneys so transferred (including any moneys so transferred on any prior Interest Payment Date), to the redemption of Bonds as provided in the Indenture;

(b) from the Redemption Account at the following times and in the following manner:

(i) on each Redemption Date on which a mandatory sinking fund redemption is scheduled to take place, the Trustee shall apply amounts on deposit in the Redemption Account, including amounts transferred pursuant to subparagraph (a)(ii) above to payment of the sinking fund redemption due on such Redemption Date; and

(ii) on each Redemption Date on which redemption is scheduled to take place, the Trustee shall apply amounts on deposit in the Redemption Account to the payment of principal of and premium, if any, on the Bonds to be redeemed on such Redemption Date.

(c) from the Credit Facility Account at the following times and in the following manner; the Trustee shall, on each date on which a payment is due under the Indenture and in respect of which an Advance is made under the Credit Facility, apply such Advance, on the date such payment is due, to the payment of the amounts in respect of which such Advance was made.

(d) from the Fees Account, at the following times and in the following manner:

(i) the Trustee shall disburse moneys on deposit in the Fees Account on the applicable date as set forth in the Indenture to the payment of Third Party Fees in satisfaction of the obligations of the Borrower under the Financing Agreement; and

(ii) in the event the amount in the Fees Account is insufficient to pay such Third Party Fees, the Trustee shall inform the Loan Servicer and make written demand on the Borrower for the amount of such insufficiency and, pursuant to the terms of the Financing Agreement, the Borrower shall be liable to promptly pay the amount of such insufficiency to the Trustee within five Business Days after the date of the Trustee's written demand.

The Costs of Issuance Fund

Deposits Into Costs of Issuance Fund.

On the Closing Date the Borrower shall deliver to the Trustee the Costs of Issuance Deposit. On the Closing Date, the Trustee shall deposit that portion of the Costs of Issuance Deposit paid directly by the Borrower into the Costs of Issuance Deposit Account of the Costs of Issuance Fund and shall deposit that portion of the Costs of Issuance Deposit funded with the Net Bond Proceeds into the Net Bond Proceeds Account of the Costs of Issuance Fund.

Disbursements from the Costs of Issuance Fund.

The Trustee shall disburse moneys on deposit in the Costs of Issuance Fund pursuant to requisitions in the Indenture, signed by an Authorized Borrower Representative, to pay Costs of Issuance. The Trustee may conclusively rely on such requisitions for purposes of making such disbursements. Moneys on deposit in the Costs of Issuance Deposit Account of the Costs of Issuance Fund shall not be part of the Trust Estate and shall be used solely to pay Costs of Issuance.

Disposition of Remaining Amounts.

On any date on which amounts are required by applicable federal tax law to be rebated to the federal government, amounts shall be withdrawn by the Trustee from the General Account and deposited into the Rebate Fund for such purpose. Any moneys remaining in the Costs of Issuance Deposit Account of the Costs of Issuance Fund six (6) months after the Closing Date and not needed to pay still unpaid Costs of Issuance shall be returned to the Borrower. Upon final disbursement and/or transfer, the Trustee shall close the Costs of Issuance Fund.

The Rebate Fund

Deposits; Administration.

All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy any rebate requirement (as calculated by the Rebate Analyst) to the United

States Government; neither the Issuer, the Borrower, the Bondholders nor Fannie Mae shall have any rights in or claim to such moneys. Within 55 days of the end of each Bond Year, the Borrower shall cause the Rebate Analyst to calculate the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (the “Rebatable Arbitrage”). Within 55 days of the end of each fifth Bond Year, upon the written direction of the Issuer, or Bond Counsel or the Rebate Analyst on behalf of the Issuer, the Trustee shall deposit into the Rebate Fund amounts provided by the Borrower, if and to the extent required in order that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with the foregoing provisions of this paragraph. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any rebate requirement, or provision made therefor satisfactory to the Trustee, shall be withdrawn and remitted to the Borrower. The Trustee shall pay, as directed in writing by the Issuer, the Borrower or Bond Counsel or the Rebate Analyst on behalf of the Borrower, to the United States Treasury, out of amounts in the Rebate Fund:

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

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

Bond Purchase Fund

Creation; Deposits; Application.

The Trustee shall deposit:

(i) all proceeds of the remarketing of Bonds remitted to the Trustee by the Remarketing Agent pursuant to the provisions of the Indenture into the Remarketing Proceeds Account; and

(ii) all amounts paid to the Trustee by the Borrower, the Issuer or Fannie Mae to pay Remarketing Expenses into the Remarketing Expenses Account.

The Trustee shall apply amounts on deposit in the (a) Remarketing Proceeds Account to pay the purchase price of Bonds purchased under the Indenture to the former owners of such Bonds as provided in the Indenture, and (b) Remarketing Expenses Account to pay Remarketing Expenses as provided in the Indenture.

Payment of Excess Amounts If Bonds Not Remarketed.

In the event that the Bonds Outstanding are not remarketed on a scheduled Remarketing Date, all amounts in the Bond Purchase Fund in excess of amounts on deposit in the Bond Purchase Fund required to pay the purchase price of the Bonds shall be disbursed as provided in the Indenture.

Payment of Excess Amounts If Bonds Remarketed.

In the event that the Bonds Outstanding are remarketed and the proceeds of remarketing exceed 100% of the principal amount of the Bonds Outstanding or in the event funds received by the Trustee to

pay Remarketing Expenses are not required for such purpose, such excess amounts shall be transferred to the General Account.

Capitalized Interest Fund

Amounts on deposit in the Capitalized Interest Fund shall be transferred automatically by the Trustee to the General Account of the Revenue Fund monthly, in full or partial satisfaction of monthly payments of interest on Principal Portion B payable by the Borrower under the Mortgage Note, until the capitalized interest is fully expended. Transfers of capitalized interest to the Revenue Fund shall be made not later than three (3) Business Days prior to the respective dates on which the Borrower's monthly payments of interest are due.

Reports by the Trustee

The Trustee shall, on or before the 20th day of each month, file with the Loan Servicer, the Issuer and the Borrower a statement setting forth in respect of the preceding calendar month:

- (a) the amount withdrawn or transferred by it and the amount deposited within or on account of each Fund and Account, including the amount of Investment Income on each Fund and Account, including the amount transferred to the General Account;
- (b) the amount on deposit with it at the end of such month to the credit of each Fund and Account;
- (c) a brief description of all obligations held as an investment of moneys in each such Fund and Account;
- (d) the amount applied to the purchase or redemption of Bonds and a description of the Bonds or portions of Bonds so purchased or redeemed; and
- (e) any other information which the Borrower, Fannie Mae, the Loan Servicer or the Issuer may reasonably request.

No such monthly statement need be rendered pursuant to the provisions of the Indenture if no activity occurred in the Fund or Account during such preceding month. Upon the written request of any Bondholder owning 25% or more in aggregate principal amount of Bonds then Outstanding, the Trustee, at the Borrower's expense, shall provide a copy of such statement to such Person. All records and files pertaining to the Trust Estate shall be open at all reasonable times during regular business hours of the Trustee to inspection and audit by the Issuer, the Borrower, the Loan Servicer, Fannie Mae and their agents and representatives upon reasonable prior notice.

Investments

Moneys held as part of any Fund or Account shall be invested and reinvested in Permitted Investments. Permitted Investments shall have maturities corresponding to, or shall be available for withdrawal without penalty no later than, the dates upon which such moneys will be needed for the purpose for which such moneys are held. Moneys on deposit in the (a) General Account and the Fees Account shall be invested only in investments described in paragraphs (i), (ii), (iii), (vii) and (viii) of the definition of Permitted Investments set forth in this Official Statement, (b) Redemption Account shall be invested only in investments described in paragraph (i) of the definition of Permitted Investments set forth in this Official Statement, (c) Credit Facility Account shall be held uninvested, and (d) Costs of Issuance

Fund shall, until disbursed or returned to the Borrower pursuant to the Indenture, be invested only in investments described in paragraph (viii) of the definition of Permitted Investments set forth in this Official Statement. Permitted Investments shall be held by or under the control and administration of the Trustee. All Investment Income from moneys held in all Funds and Accounts other than the Mortgage Loan Fund, the Rebate Fund and the Costs of Issuance Fund (other than as provided below) shall, upon receipt, be deposited into the General Account of the Revenue Fund; Investment Income from moneys held in the Mortgage Loan Fund shall be retained in the Mortgage Loan Fund; Investment Income from moneys held in the Rebate Fund shall be retained in the Rebate Fund and Investment Income from moneys held in the Costs of Issuance Deposit Account of the Costs of Issuance Fund shall be retained in the Costs of Issuance Fund.

Discharge of Lien and Security Interest

Discharge.

Upon satisfaction of the conditions precedent set out in the Indenture, the Trustee shall (a) execute and deliver to the Issuer such instruments in writing prepared by the Borrower or its counsel and provided to the Trustee and Fannie Mae as shall be required to cancel and discharge the Indenture and the pledge and assignment of the Trust Estate, (b) reconvey, assign and deliver to the Issuer so much of the Trust Estate as may be in its possession or subject to its control (except for (1) moneys and Government Obligations held for the purpose of paying Bonds and (2) moneys and Permitted Investments held in the Rebate Fund for payment to the United States Government), who shall, in turn, convey, assign and deliver the remaining Trust Estate to the Borrower, and (c) return the Credit Facility to Fannie Mae.

Conditions to Discharge.

The conditions precedent to the cancellation and discharge of the Indenture and the other acts described in the paragraph immediately above are (a) payment in full of the Bonds, (b) payment of the Trustee's Annual Fee and the Trustee's ordinary costs and expenses under the Indenture, (c) receipt by the Trustee of a written statement from Fannie Mae stating that all obligations owed to Fannie Mae under the Credit Facility Agreement and the Mortgage Loan Documents have been fully paid, (d) payment of all Extraordinary Items, (e) receipt by the Trustee of a written statement from the Issuer stating that all amounts owed to the Issuer in respect of Reserved Rights have been fully paid, (f) receipt by the Trustee of an Opinion of Counsel, at the expense of the Borrower, to the effect that Fannie Mae has no further obligation under the Credit Facility and (g) receipt by the Trustee of an Opinion of Counsel, at the expense of the Borrower, stating that all conditions precedent to the satisfaction and discharge of the Indenture have been satisfied.

Defeasance

Provision for Payment of Bonds.

Any Bond shall be deemed to have been paid within the meaning of the Indenture if:

(a) there has been irrevocably deposited with the Trustee either (i) sufficient Available Moneys or (ii) Government Obligations, which are not subject to early redemption and which are purchased with Available Moneys, of such maturities and interest payment dates and bearing such interest as will, without further investment or reinvestment of either the principal amount of such Government Obligations or the interest earnings on such Government Obligations (the earnings to be held in trust also), be sufficient, together with any Available Moneys deposited pursuant to the paragraph, in each case, as verified by a written report of an

independent certified public accountant, for the payment on their respective maturity dates, or redemption dates prior to maturity, of the principal of such Bonds and redemption premium, if any, and interest to accrue on such Bonds to such maturity or redemption dates, provided that the Trustee shall have received, at the expense of the Borrower (A) an Opinion of Counsel rendered by bankruptcy counsel that such Available Moneys or Government Obligations purchased with Available Moneys are not subject to avoidance under the Indenture 547 or 544 and are not subject to an automatic stay pursuant to Section 362 of the Bankruptcy Code or any successor statute, and, as such, are not recoverable under Section 550(a) of the Bankruptcy Code or other applicable insolvency law, should there be a petition by or against the Borrower, any general partner of the Borrower or the Issuer under the Bankruptcy Code or any other bankruptcy act, and (B) an Opinion of Bond Counsel to the effect that such deposit with the Trustee and consequent defeasance of the Bonds does not adversely affect the excludability of the interest payable on the Bonds from gross income for federal income tax purposes;

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

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

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

Default Provisions and Remedies

Events of Default.

Each of the following shall constitute an Event of Default:

(a) default in the payment of any interest due on any Bond (other than a Purchased Bond), on any Interest Payment Date or any other date when and as the same becomes due;

(b) default in the payment of the principal of any Bond (other than a Purchased Bond), when and as the same becomes due, whether at the stated maturity of the Bond or upon any redemption of the Bond;

(c) default by the Issuer in the observance or performance of any covenant, agreement or condition on the part of the Issuer in the Indenture or in the Bonds (other than an Event of Default set forth in paragraph (a) or (b) above) and the continuance of such default for a period of 30 days after written notice of the default to the Trustee to from Fannie Mae; or

(d) an Act of Bankruptcy.

Non-Default and Prohibition of Mandatory Redemption Upon Event of Taxability.

The occurrence of any event (a “Tax Event”) which results in the interest payable on the Bonds being includable for federal income tax purposes, in the gross income of the Bondholders, including, but not limited to, any violation of any provision of the Regulatory Agreement or any of the other Bond

Documents, shall not (a) constitute an Event of Default under the Indenture, the Bonds or any of the other Bond Documents, or permit any party (other than Fannie Mae) to accelerate, or to direct acceleration of, the Mortgage Loan or the Bonds or give rise to a mandatory redemption of the Bonds, unless Fannie Mae, in its sole and absolute discretion, provides written notice to the Trustee that such Tax Event constitutes a default under the Reimbursement Agreement or the Security Instrument, or (b) give rise to the payment to the Bondholders of any amount, denoted as “supplemental interest,” “additional interest,” “penalty interest,” “damages,” “liquidated damages” or otherwise, in addition to the amounts payable to the owners of the Bonds prior to the occurrence of the Tax Event. Nothing contained in the Indenture shall be deemed to amend or modify the terms of the Mortgage Loan Documents. Promptly upon determining that a Tax Event has occurred, the Issuer or the Trustee shall, by notice in writing to Fannie Mae, the Loan Servicer and the Registered Owners of the Bonds, inform Fannie Mae, the Loan Servicer and the Registered Owners of the Bonds that a Tax Event has occurred and whether the Tax Event has been cured, is curable within a reasonable period, or is incurable. Notwithstanding the availability of the remedy of specific performance to cure a Tax Event that is curable within a reasonable period, neither the Issuer nor the Trustee shall have, and each of them acknowledges that, except at the direction of Fannie Mae, they shall not have, upon the occurrence of a Tax Event, any right, authority or obligation to cause or direct acceleration of the Bonds or the Mortgage Loan, to enforce the Mortgage Note or to foreclose the Security Instrument, to accept a deed to the Project in lieu of foreclosure, or to effect any other comparable conversion of the Mortgage Loan.

Acceleration.

Upon:

(a) the occurrence of an Event of Default described as clauses (a) or (b) in the previous section “Default Provisions and Remedies-Events of Default,” the Trustee may, and shall upon the written request of Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding, by written notice to the Issuer, the Borrower, Fannie Mae and the Loan Servicer declare the principal of all Bonds then Outstanding (if not then due and payable) and the interest accrued, and to accrue, on the Outstanding Bonds to the date of such declaration immediately due and payable; or

(b) the occurrence of an Event of Default described as clauses (c) or (d) in the previous section “Default Provisions and Remedies-Events of Default,” the Trustee may, upon receiving the prior written consent of Fannie Mae, and shall, upon the written direction of Fannie Mae, by written notice to the Issuer, the Borrower, Fannie Mae and the Loan Servicer, declare the principal of all Bonds then Outstanding (if not then due and payable) and the interest accrued, and to accrue, on the Outstanding Bonds to the date of such declaration immediately due and payable.

Upon any such declaration of acceleration, the Trustee shall (a) give immediate notice to Fannie Mae and request an advance under the Credit Facility pursuant to the Indenture, (b) exercise such rights as it may have under the Mortgage Note to declare all payments under the Mortgage Note to be immediately due and payable and (c) give such notice as is required by the Indenture.

Notice.

Upon any decision to accelerate payment of the Bonds, the Trustee shall notify the Bondholders of the declaration of acceleration, that interest on the Bonds will cease to accrue upon such declaration, and that payment of such Bonds will be made upon presentment of the Bonds at the Principal Office of the Trustee not earlier than fifteen days following the date of acceleration. Such notice shall be sent by registered mail, overnight delivery service or other secure means, postage or charges prepaid, or, at the

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

Waiver.

To the extent not precluded by law, the Trustee, upon notice to and with the prior written consent of Fannie Mae (unless a Wrongful Dishonor has occurred and is continuing), may waive any Event of Default under the Indenture and its consequences and, if the Trustee has accelerated payment of the Bonds, rescind the declaration of acceleration (unless precluded by the Indenture or unless clause (b) following shall be applicable) and will do so upon the written request of (a) the Fannie Mae or (b) Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding, provided, however, that there will be no such waiver or rescission unless the principal and interest on the Bonds in arrears (without regard to the acceleration), together with interest at the applicable rate or rates of interest borne by the Bonds on such overdue principal and, to the extent permitted by law, on such overdue interest, has been paid or provided for by the Borrower or by Fannie Mae and all fees and expenses of the Trustee have been paid or provided for by the Borrower or Fannie Mae. In the case of any such waiver, the Issuer, the Borrower, the Trustee and the Bondholders will be restored to their former positions and rights under the Indenture. The Trustee may not waive any Event of Default under the Indenture unless, after the waiver, the Credit Facility will remain in effect in an amount equal to the aggregate principal amount of the Bonds outstanding plus the interest requirement, provided, however, that such waiver will be permitted if (a) the Issuer consents to the waiver, (b) the Rating Agency then rating the Bonds is notified and the Trustee gives written notice to the Bondholders that the ratings on the Bonds may be reduced or withdrawn upon the occurrence of such waiver, and (c) 100% of the Bondholders consent to the waiver.

Other Remedies.

Subject to the Indenture, upon the occurrence and continuance of an Event of Default, the Trustee may, with or without taking action under the Indenture, but only with the prior written consent of Fannie Mae and shall, at the direction of Fannie Mae or, if the Event of Default described in clause (c) or (d) under "Default Provisions and Remedies--Events of Default," occurs pursue any of the following remedies:

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

(b) the liquidation of the Trust Estate pledged under the Indenture (subject to the provisions of the Indenture); or

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

Subject to the provisions of the Indenture and the requirement, if any, that Fannie Mae consent in writing to the exercise by the Trustee of any such available remedy, upon the occurrence and continuance of an Event of Default, the Trustee shall exercise such of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, shall deem most effective to enforce and protect the interests of the Bondholders and Fannie Mae.

Remedies Not Exclusive.

Subject to certain provisions of the Indenture, no right or remedy conferred upon or reserved to the Trustee (or to the Bondholders) by the terms of the Indenture is intended to be exclusive of any other right or remedy, but each and every such right and remedy shall be cumulative and shall be in addition to any other right or remedy given to the Trustee or to the Bondholders under the Indenture or under the Financing Agreement, the Regulatory Agreement or the Credit Facility or now or hereafter existing at law or in equity.

Rights of Fannie Mae and the Bondholders To Direct Proceedings; Rights and Limitations Applicable to Bondholders, Issuer and Trustee.

Rights To Direct Proceedings.

Notwithstanding anything contained in the Indenture to the contrary, Fannie Mae itself or Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding, but only with the prior written consent of Fannie Mae, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the Indenture, provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture, and provided that the Trustee shall be indemnified to its satisfaction (except for actions required by the Trustee as set forth in “Remedies; Rights of Bondholders - Acceleration” above).

Limitations on Bondholders’ Rights.

No Bondholder shall have the right to enforce the provisions of the Indenture, the Financing Agreement or any Mortgage Loan Document, or to institute any proceeding in equity or at law for the enforcement of the Indenture, the Financing Agreement or any Mortgage Loan Document, or to take any action with respect to an Event of Default under, and as respectively defined in, the Indenture or the Financing Agreement, or to institute, appear in or defend any suit or other proceeding with respect to the Indenture, the Financing Agreement or any Mortgage Loan Document, upon any such Event of Default unless (a) such Bondholder has given the Trustee, the Issuer, Fannie Mae, the Loan Servicer and the Borrower written notice of the Event of Default, (b) the holders of not less than 51% in aggregate principal amount of Bonds then Outstanding shall have requested the Trustee in writing to institute such proceeding, (c) the Trustee shall have been afforded a reasonable opportunity to exercise its powers or to institute such proceeding, (d) the Trustee has been offered reasonable indemnity, where required under the Indenture, and (e) the Trustee has thereafter failed or refused to exercise such powers or to institute such proceeding within a reasonable period of time. No Bondholder shall have any right in any manner whatever by his or her action to affect, disturb or prejudice the pledge of revenues or of any other moneys, funds or securities under the Indenture. No Bondholder shall have the right, directly or indirectly, individually or as a group, to seek to enforce, collect amounts available under, or otherwise realize on, the Credit Facility.

Non-Interference and Non-Impairment of Mortgage Loan.

Notwithstanding anything contained in the Indenture to the contrary, so long as the Credit Facility remains in effect and Fannie Mae is not in default in its payment obligations under the Credit Facility, neither the Issuer, the Trustee nor any person under their control nor the Bondholders shall, without the prior written consent of Fannie Mae exercise, directly or indirectly, any remedy or direct any proceeding under the Bond Documents or with respect to the Mortgage Loan or, directly or indirectly:

(a) initiate or take any action which may have the effect, directly or indirectly, of (a) impairing the ability of the Borrower to timely pay the principal of, interest on, or other amounts due and payable under, the Mortgage Loan Documents or (b) impairing or defeating the validity or priority of the lien created by the Security Instrument;

(b) interfere with or attempt to influence the exercise by Fannie Mae of its rights under the Mortgage Loan Documents, including, but not limited to, Fannie Mae's remedial rights under the Mortgage Loan upon the occurrence of an Event of Default by the Borrower under the Security Instrument; or

(c) upon the occurrence of an Event of Default under the Security Instrument, take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Mortgage Loan.

provided that, subject to the provisions of the foregoing paragraphs (a) through (c), the Indenture shall not prohibit the Issuer's right to enforce its Reserved Rights, and provided, further, that the Issuer or the Trustee, as the case may be, may (a) enforce rights under the Credit Facility (so long as the Credit Facility is in effect), (b) enforce the tax covenants set forth in the Indenture and the Financing Agreement and (c) enforce rights of specific performance under the Financing Agreement and the Regulatory Agreement, except that neither the Issuer nor the Trustee shall seek damages or any monetary recovery under the Financing Agreement or the Regulatory Agreement.

Application of Moneys.

Amounts derived from payments under the Credit Facility shall be deposited into the Credit Facility Account and applied solely to pay the principal of and interest on the Bonds and shall not be applied to pay any fees or expenses or advances of the Trustee or the Issuer (except to the extent such fees are payable out of the Fees Account from transfers to the Fees Account from the General Account), including amounts in respect of indemnification. All other moneys received by the Trustee pursuant to any action taken under this section and all moneys on deposit in the Funds and Accounts under the Indenture (other than the Rebate Fund, the Costs of Issuance Fund and the Fees Account) shall, subject to the Indenture, be deposited into the General Account after payment of any ordinary costs and expenses of the Trustee. The balance of such moneys, less such amounts as the Trustee determines may be needed for possible use in paying future fees and expenses and for the preservation and management of the Project (as identified and required by Fannie Mae), shall be applied as set forth in the following subsections:

(a) unless the principal on all Bonds shall have become or been declared due and payable, all such moneys shall be applied:

First - to the payment of rebate amounts, if any, payable to the United States pursuant to the Indenture;

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

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

Fourth - to the payment of amounts owed to Fannie Mae under the Credit Facility and the Mortgage Loan Documents, as specified to the Trustee in writing by Fannie Mae and then to any unpaid amounts due to the Trustee for Extraordinary Items, for this purpose including the costs and expenses of any proceedings resulting in the collection of such moneys and of advances incurred or made by the Trustee;

(b) If the principal of all the Bonds has become or been declared due and payable, all such moneys shall be applied first, to the payment of amounts payable to the United States, second to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably according to the amounts due respectively for principal and interest to the persons entitled to payment, until all such principal and interest has been paid; third, to pay Fannie Mae amounts owed to it under the Credit Facility Agreement, the Financing Agreement and the Mortgage Loan Documents, as specified to the Trustee in writing by Fannie Mae; and fourth, to the Borrower (but only if all amounts due the Trustee and the Issuer have been paid, otherwise to first pay such amounts in the priority set forth in the Indenture).

(c) If the principal of all the Bonds has been declared due and payable, and if such declaration is thereafter rescinded under the Indenture, then, in the event that the principal of all the Bonds shall later become or be declared due and payable, the moneys shall be applied as described in (b) above.

The Trustee

Resignation of Trustee.

The Trustee (or any successor Trustee) may resign only upon giving 60 days' prior written notice to the Issuer, Fannie Mae, the Loan Servicer, the Borrower, and to each Registered Owner of Bonds then outstanding as shown on the Bond Register. Notwithstanding such notice, such resignation shall not take effect until the appointment of a successor Trustee in accordance with the Indenture and the acceptance of such appointment by such successor Trustee.

Removal of Trustee.

The Trustee may be removed at any time, upon 30 days' prior written notice to the Trustee, (a) by the Issuer following prior written consent of Fannie Mae, (b) by an instrument or concurrent instruments in writing delivered to the Issuer, Fannie Mae, the Loan Servicer, the Trustee and the Borrower, signed by the owners of not less than 51% in aggregate principal amount of Bonds then Outstanding, and approved by Fannie Mae and the Issuer, which written instrument shall designate a successor trustee or (c) by Fannie Mae, with the prior written consent of the Issuer, which consent shall not be unreasonably withheld. Such removal shall take effect only upon the appointment of a successor Trustee in accordance with the Indenture and the acceptance of such appointment by such successor Trustee.

Appointment of Successor Trustee.

Upon the resignation or removal of the Trustee, a successor Trustee shall be appointed by the Issuer, with the prior written consent of the Borrower and Fannie Mae, provided that if the Borrower is then in default under any Bond Document or any Mortgage Loan Document or if an event has occurred and is continuing which, with notice or the passage of time or both, would constitute such a default, such appointment shall be made by the Issuer with written consent of Fannie Mae. If, in the case of resignation or removal of the Trustee, no successor is appointed within 30 days after the notice of resignation or within 30 days after removal, as the case may be, then, in the case of a resignation, the resigning Trustee shall appoint a successor with the prior written consent of the Issuer and Fannie Mae or apply to a court of competent jurisdiction for the appointment of a successor Trustee and, in the case of a removal, Fannie Mae shall have the right to appoint a successor Trustee or to apply to a court of competent jurisdiction for the appointment of a successor Trustee.

Servicing the Mortgage Loan.

The Issuer and the Trustee acknowledge that the Loan Servicer, as servicer of the Mortgage Loan, will be responsible to Fannie Mae for the ongoing servicing and administering of the Mortgage Loan, but that Fannie Mae, in its discretion, may contract with another servicer designated by Fannie Mae to perform such functions for Fannie Mae. Any servicing contracts or arrangements by Fannie Mae with such loan servicer for servicing the Mortgage Loan shall constitute a contractual obligation only between Fannie Mae and such loan servicer and neither the Trustee nor the Issuer will be deemed to be a party to such arrangements nor have any claim, right, duty, obligation or liability with respect to the servicing of the Mortgage Loan.

Supplemental Indentures; Amendments to Financing Agreement

Supplemental Indentures Not Requiring Bondholder Consent.

The Issuer and the Trustee, without the consent of or notice to any of the Bondholders, may enter into an indenture or indentures supplemental to the Indenture for one or more of the following purposes:

- (a) to cure any ambiguity or to correct or supplement any provision contained in the Indenture or in any supplemental indenture which may be defective or inconsistent with any other provision contained in the Indenture or in any supplemental indenture;
- (b) to amend, modify or supplement the Indenture in any respect if, in the judgment of the Trustee, such amendment, modification or supplement is not materially adverse to the interests of the Bondholders;

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

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

(e) to appoint a successor trustee, separate trustee or co-trustee, or a separate Bond Registrar, in the manner provided in the Indenture;

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

(g) to make any change in the Indenture or in the terms of the Bonds necessary or desirable in order to maintain the rating of “AAA” and/or “Aaa” awarded to the Bonds by the Rating Agency or to otherwise comply with the requirements of any Rating Agency then rating the Bonds;

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

(i) to implement any secondary market disclosure, required under applicable law with respect to the Bonds, the Issuer, the Borrower or the Project;

(j) to modify the terms of the Indenture or the Bonds to be effective as of a Remarketing Date if a supplemental indenture is executed and delivered at least 30 days prior to such Remarketing Date and notice of the execution and delivery together with a copy of the supplemental indenture or a summary of the provisions of the supplemental indenture is given to all Bondholders and to the Rating Agency not later than the time notice of remarketing of Bonds is given to Bondholders pursuant to the Indenture;

(k) to change any of the time periods for provision of notice relating to: (i) the remarketing of Bonds and (ii) the determination of the interest rate on the Bonds;

(l) to change or modify any provision of the Indenture in connection with the remarketing of Bonds following any mandatory tender of the Bonds pursuant to the Indenture, but only upon the condition that such change is effective only after mandatory purchase; or

(m) in connection with any other change in the Indenture which, in the judgment of the Trustee, is not materially adverse to the interests of the Bondholders.

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

join the Issuer in the execution of any such supplemental indenture. The Trustee shall promptly furnish a copy of any such supplemental indenture to Fannie Mae, the Remarketing Agent, the Loan Servicer and the Borrower.

Supplemental Indentures Requiring Bondholder Consent.

Exclusive of supplemental indentures described above under “Supplemental Indentures Not Requiring Bondholder Consent” and subject to the terms and provisions described in this Section, the Issuer, in its sole discretion, and the Trustee may, with the consent of Bondholders owning 51% or more in aggregate principal amount of Bonds then Outstanding, from time to time, execute indentures supplemental to the Indenture for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture, provided that nothing in this Section shall permit, or be construed as permitting:

- (a) an extension of the maturity of the principal of or interest on, or the mandatory redemption date of, any Bond, without the consent of the owners of all of the Bonds then Outstanding;
- (b) a reduction in the principal amount of, or the rate of interest on, any Bond, without the consent of the owner of such Bond;
- (c) a preference or priority of any Bond or Bonds over any other Bond or Bonds, without the consent of the owners of all such Bonds;
- (d) the creation of a lien prior to or on parity with the lien of the Indenture, without the consent of the owners of all of the Bonds then Outstanding;
- (e) a change in the percentage of Bondholders necessary to waive an Event of Default or otherwise approve matters requiring Bondholder approval under the Indenture, including consent to any supplemental indenture, without the consent of the owners of all the Bonds then Outstanding;
- (f) a transfer, assignment or release of the Credit Facility (or modification of the provisions of the Indenture governing such transfer, assignment or release), other than as permitted by the Indenture, the Assignment or the Credit Facility;
- (g) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture, without the consent of the holders of all of the Bonds then Outstanding;
- (h) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding under the Indenture, without the consent of the holders of all of the Bonds then Outstanding; or
- (i) the amendment of this Section, without the consent of the holders of all of the Bonds then Outstanding.

The giving of notice to and consent of the Bondholders to any such supplemental indenture shall be obtained as provided in the Indenture. When requested by the Issuer or the Borrower, and if all conditions precedent under the Indenture have been satisfied, the Trustee shall join the Issuer in the

execution of any such supplemental indenture. The Trustee shall promptly furnish a copy of any such supplemental indenture to Fannie Mae, the Remarketing Agent, the Loan Servicer and the Borrower.

Amendments to Financing Agreement Not Requiring Bondholder Consent.

The Issuer and the Trustee, without the consent of or notice to any of the Bondholders, (a) may enter into or permit any amendment of the Financing Agreement and (b) shall, at the direction of Fannie Mae, enter into any amendment of the Financing Agreement, for one or more of the following purposes:

(a) to cure any ambiguity or to correct or supplement any provision contained in the Financing Agreement which may be defective or inconsistent with any other provision of the Financing Agreement;

(b) to make such other provisions with regard to matters or questions arising under the Financing Agreement which are not materially adverse to the interests of the Bondholders;

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

(d) to grant to or confer upon the Issuer or the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be so granted or conferred, or to grant or pledge to the Issuer or the Trustee for the benefit of the Bondholders any additional security;

(e) to make any change requested by Fannie Mae which, in the judgment of the Trustee, is not materially adverse to the interests of the Bondholders;

(f) to comply with the requirements of any Rating Agency then rating the Bonds;

(g) to comply with regulations or rulings issued with respect to the Code, to the extent determined as necessary or desirable in the opinion of Bond Counsel;

(h) to permit the Borrower to enter into a modification of any Mortgage Loan Document on terms approved by Fannie Mae, provided that there has first been delivered to the Trustee (i) written evidence of such approval and the approval by Fannie Mae of the proposed form of amendment and any other documents relating to the amendment and (ii) written evidence from the Rating Agency that such modifications and any related changes to the terms of the financing will not adversely affect the rating then applicable to the Bonds; or

(i) in connection with any other change which, in the judgment of the Trustee, is not materially adverse to the interests of the Bondholders; provided that if the Trustee has received written confirmation from the Rating Agency to the effect that such amendment will not result in the suspension, withdrawal or reduction of the then current rating on the Bonds and all conditions precedent in the Indenture have been satisfied, the Trustee shall join the Issuer and the Borrower in the execution of any such amendment. The Trustee shall promptly furnish a copy of any such amendment to the Issuer, Fannie Mae, the Remarketing Agent, the Loan Servicer, and the Borrower.

Amendments to Financing Agreement Requiring Bondholder Consent.

Except as described above under “Amendments to Financing Agreement Not Requiring Bondholder Consent,” the Issuer and the Trustee shall not enter into any other modification or amendment of the Financing Agreement, nor shall any such modification or amendment become effective, without the written consent of Fannie Mae and the owners of not less than 51% in aggregate principal amount of Bonds then Outstanding, such consent to be obtained in accordance with the Indenture. No such amendment may, without the consent of the owners of all the Outstanding Bonds, reduce the amounts or delay the payments on the Mortgage Loan under the Financing Agreement, provided that any such amounts may be reduced without such consent solely to the extent that such reduction (a) results from a partial redemption from other than sinking fund installments or (b) represents a reduction in any fees payable from such amounts (including, but not limited to, a reduction in Set Rate Interest). The Trustee will provide a copy of any such amendment to the Issuer, Fannie Mae, the Remarketing Agent, the Loan Servicer and the Borrower.

Amendments, Changes and Modifications to the Credit Facility and the Regulatory Agreement

The Credit Facility.

The Trustee may, without notice to or the consent of the owners of the Bonds, accept any amendment to the Credit Facility (a) in connection with any change in the Credit Facility, including a revised Mortgage Loan Payment Amortization Schedule to the Credit Facility as a result of a partial prepayment and re-amortization of the Mortgage Loan or otherwise or (b) as may be required for purposes of curing any ambiguity, formal defect or omission which is not materially adverse to the interests of the Bondholders or which does not prejudice in any material respect the interests of the Bondholders. Except for such amendments, the Credit Facility may be amended only with the written consent of the owners of not less than 51% in aggregate principal amount of Bonds then Outstanding, except that, without the written consent of the owners of all Outstanding Bonds, no amendment may be made to the Credit Facility which would reduce the amounts required to be paid under the Credit Facility or change the time for payment of such amounts; provided that any such amounts may be reduced without such consent solely to the extent that such reduction represents a written agreement to reduce fees payable from such amounts.

The Regulatory Agreement.

Subject to certain provisions of the Indenture requiring certain Opinions of Counsel and approvals of Fannie Mae and the Borrower, the Trustee and the Issuer may enter into any amendment or modification of the Regulatory Agreement without the consent of the owners of the Bonds, provided that the Borrower shall furnish to the Trustee and the Issuer (a) an Opinion of Bond Counsel to the effect that such amendment or modification of the Regulatory Agreement will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes and (b) the written consent of Fannie Mae.

Notice to and Consent of Bondholders.

If consent of the Bondholders is required under the terms of the Indenture for any supplement, amendment or modification to the Indenture, the Financing Agreement, the Regulatory Agreement or the Credit Facility, or for any other similar purpose, the Trustee shall cause notice of the proposed execution of the supplement, amendment or modification to be given by first class mail to the Bondholders. Such notice shall briefly set forth the nature of the proposed supplement, amendment or modification, and shall state that copies of any such supplement, amendment or modification are on file at the Principal Office of

the Trustee for inspection by the Bondholders. If, within 30 days or such longer period as shall be prescribed by the Trustee following the mailing of such notice, the holders of not less than the required percentage of all Bonds then Outstanding, by instruments filed with the Trustee, shall have consented to the supplement, amendment or modification, then the Trustee may execute such supplement, amendment or modification, and the consent of the Bondholders shall be conclusively presumed. The consent of the holder of any Bond shall be binding on any transferee and successor transferees of such Bond. Any other notice required to be delivered to Bondholders pursuant to the Indenture shall be given, or caused to be given, by the Trustee by first class mail.

Required Approvals.

No amendment, supplement, change or modification may be made to any Bond Document, Mortgage Loan Document or any other document executed and delivered in connection with the Bonds without the prior written consent of the Credit Provider. Unless a Wrongful Dishonor has occurred and is continuing, the Credit Provider alone may consent to any amendment to the Mortgage Loan Documents and no consent of the Bondholders is required; provided, however, that any amendment or substitution of the Mortgage Note shall occur only following written confirmation of the Rating Agency that such amendment or substitution will not result in a reduction or withdrawal of the rating on the Bonds. Anything in the Indenture to the contrary notwithstanding, a supplement or amendment or other document which affects any rights or obligations of the Borrower shall not become effective unless and until the Borrower (if the Borrower is not then in default under any Bond Document or any Mortgage Loan Document and if no event shall have occurred which, with notice or the passage of time or both, would constitute such a default shall have occurred and be continuing) has consented in writing to the execution of such supplemental indenture, amendment or other document. The Trustee shall not be required to enter into any supplement or amendment or other document which is, in the judgment of the Trustee, to the prejudice of the Bondholders or the Trustee. Anything in the Indenture to the contrary notwithstanding, any amendment or supplement to any Mortgage Loan Document which affects any rights or obligations of the Issuer shall not become effective unless and until the Issuer (if the Issuer is not then in default under any Bond Document and if no event shall have occurred which, with notice or the passage of time or both, would constitute such a default shall have occurred and be continuing) has consented in writing to the execution of such amendment or supplement.

Opinion of Bond Counsel.

No supplement or amendment with respect to the Indenture, the Financing Agreement, the Regulatory Agreement, the Credit Facility or any Mortgage Loan Document at the time in effect shall be effective until the Issuer and the Trustee shall have received an Opinion of Bond Counsel to the effect that such supplement or amendment will not adversely affect the exclusion from gross income, for federal income tax purposes, of the interest payable on the Bonds.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT

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

Occupancy Restrictions

The Borrower has agreed that:

(a) (i) For so long as the Loan is outstanding and at all times during the Qualified Project Period, at least 40% of the Units shall be rented to and occupied by Federal Lower Income Tenants (the “Federal Units”).

(ii) For so long as the Loan is outstanding and at all times during the State Lower Income Tenant Occupancy Period, all of the Units shall be rented to and occupied by State Lower Income Tenants (the “State Units”). A Federal Unit which satisfies the State Lower Income Tenant Occupancy Requirement shall also be considered a State Unit for purposes of the Regulatory Agreement.

(b) For the purpose of satisfying the covenant in paragraph (a)(i) above, a Unit shall be treated as “occupied” if it was previously rented to and occupied by a Federal Lower Income Tenant and is being held vacant and available for rental to a Federal 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) For the purpose of satisfying the covenant in paragraph (a) above, the determination of income will be made both prior to occupancy and on a continuing basis. Increases in a Federal Lower Income Tenant’s income of up to 140% of the applicable limit (adjusted for family size) will not result in disqualification. Increases in a State Lower Income Tenant’s income up to the limits permitted for Families of Limited Income (adjusted for family size) will not result in a disqualification. If a tenant is counted as both a Federal Lower Income Tenant and a State Lower Income Tenant under the Regulatory Agreement, such tenant’s income may rise up to the level permitted for a Federal Lower Income Tenant. In the event that a Federal Lower Income Tenant’s income increases to a level more than 140% of the then applicable limit (or if a Federal Lower Income Tenant’s family size decreases so that a lower maximum income applies to the Federal Lower Income Tenant), that Federal Lower Income Tenant may no longer be counted among the 40% of Units that satisfy the Federal Lower Income Tenant Occupancy Requirement, but the Project will remain in compliance as long as the next Unit of comparable or smaller size in the Project which becomes vacant is rented to a Federal Lower Income Tenant. In the event that a State Lower Income Tenant’s income increases to a level more than that permitted for Families of Limited Income (adjusted for family size) then the Borrower must either (i) rent the next available unoccupied Unit in the Project to a State Lower Income Tenant or (ii) if all of the Units in the Project are subject to income restrictions as provided in the Regulatory Agreement, give notice to the ineligible tenant to vacate the Unit upon the date which is the later of (1) the expiration of the initial term of the lease, or (2) four months after the date the State Lower Income Tenant’s income exceeds the State Lower Income Tenant Occupancy Requirement. If there is any conflict in the obligations of the Borrower under this subparagraph (c) with respect to unoccupied Units, the Borrower shall first satisfy all obligations relating to the Federal Lower Income Tenant Occupancy Requirement. The Borrower must give such notice to an ineligible State Lower

Income Tenant within two months of an annual certification showing that the annual income of such State Lower Income Tenant exceeds the State Lower Income Tenant Occupancy Requirement.

(d) Within thirty days after the first day on which at least 10% of the Units are first occupied following issuance of the Bonds, the Borrower shall prepare and submit to Issuer a certificate in recordable form identifying such date (which may be the date of issuance of the Bonds) to evidence the commencement of the Qualified Project Period. Issuer acknowledges and agrees that because the Qualified Project Period will commence as of the date of issuance of the Bonds, the Borrower shall have no obligation to prepare and submit the certificate required by this subparagraph (d).

(e) Within thirty days after the date on which at least 50% of the Units are first occupied following issuance of the Bonds, the Borrower shall prepare and submit to Issuer a certificate in recordable form identifying such date (which may be the date of issuance of the Bonds) for purposes of the calculation of the termination of the Qualified Project Period. Issuer acknowledges and agrees that because the Qualified Project Period will commence as of the date of issuance of the Bonds, the Borrower shall have no obligation to prepare and submit the certificate required by this subparagraph (e).

(f) The Borrower shall obtain and maintain on file annual certifications of income from each Lower Income Tenant in the form and containing such information as may be required by the 1986 Code and/or the Act, as applicable. The first such certification of income shall be dated not later than the latest of (i) the date of execution of the lease; (ii) five days prior to the initial occupancy of such tenant in the Project; or (iii) the date of issuance of the Bonds. Photocopies of each such certification of income for each new Lower Income Tenant shall be submitted to Issuer as requested by Issuer, which may be as often as may be necessary, in the opinion of Bond Counsel, to comply with the provisions of the 1986 Code and/or the Act, as applicable.

(g) The Borrower shall maintain complete and accurate records pertaining to the Units occupied or to be occupied by Lower Income Tenants, and permit any duly authorized representative of Issuer, the United States Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the certifications of income of Lower Income Tenants residing in the Project upon reasonable notice and at reasonable times.

(h) The Borrower shall immediately notify Issuer if at any time the Units are not occupied or available for occupancy as provided in (a) above, and the Borrower shall prepare and submit to Issuer, not later than the tenth (10th) day of each calendar month following issuance of the Bonds, a certificate executed by the Borrower stating, among other matters, the number of Units which, as of the first day of such month, were occupied by Federal Lower Income Tenants and by State Lower Income Tenants or were vacant and held available for rental to Federal Lower Income Tenants as provided in (b) above, and stating that at least 40% of the Units are occupied by or held available for rental only to Federal Lower Income Tenants and that 100% of the Units are occupied by or held available for rental only to State Lower Income Tenants.

(i) The Borrower will permit and duly authorizes representatives of Issuer, the Trustee, the Monitoring Agent, the Loan Servicer, the Department of the Treasury, or the Internal Revenue Service, upon reasonable prior notice and during normal business hours, to inspect the books and records of the Borrower pertaining to the incomes of Lower Income Tenants who are residing or have resided in the Project.

Project Restrictions

The Borrower has agreed that:

(a) (i) All of the Units shall be rented or made available for rental on a continuous basis to members of the general public;

(ii) Except to the extent allowable under applicable laws with respect to housing for the elderly, the Borrower shall not give preference in renting Units to any particular class or group of persons, other than Federal Lower Income Tenants and State Lower Income Tenants; and

(iii) The Borrower will not refuse to lease any Unit to a prospective tenant who is a holder of a voucher or certificate of eligibility under Section 8 on the basis of the prospective tenant's status as a holder of such voucher or certificate.

(b) (i) None of the Units shall at any time be utilized on a transient basis, provided however, Units may be temporarily occupied by tenants who have been relocated to such Units while their original units are being rehabilitated; (ii) none of the Units shall ever be leased or rented for a period of less than thirty (30) days; and (iii) neither the Project nor any portion thereof shall ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium, nursing home, rest home, trailer court or park. None of the occupants of such Units shall be provided services customarily found in hotels such as room service for food and beverages, maid service, furnishing and laundering of linens or valet service, and the Borrower shall not provide continued or frequent nursing, medical or psychiatric services to residents of the Project.

(c) No part of the Project will at any time be owned or used by a cooperative housing corporation unless otherwise approved in writing by Bond Counsel.

(d) The Project will not include a Unit in a building where all Units in such building are not also included in the Project.

(e) The Project shall consist of one or more discrete edifices and other man-made construction, each consisting of an independent foundation, outer walls and roof, all of which are (1) owned by the same person for federal tax purposes, (ii) located on a common tract of land, two or more tracts of land which are contiguous except for being separated by a road, street or stream of similar property or two or more tracts of land whose boundaries meet at one or more points and (iii) financed by the Loan or otherwise pursuant to a common plan of financing. The Project will consist entirely of:

(1) dwelling units; and

(2) facilities functionally related and subordinate in purpose and size to property described above, e.g. parking areas, swimming pool, exercise room and other recreational facilities reasonably required for the Project, heating and cooling equipment, trash disposal or units for resident managers or maintenance personnel.

(f) The Borrower will not convert the Project to condominium ownership.

(g) No dwelling Unit shall be occupied by the Borrower at any time unless the Borrower resides in a Unit in a building or structure which contains at least five dwelling Units and unless the resident of such Unit is a resident manager, maintenance or security personnel or other employee reasonably

required for the Project and the dwelling unit or units are of a character and size commensurate with the character and size of the Project.

(h) Any non-revenue units for Borrower use, including but not limited to models and manager apartments, will be financed at the Borrower's expense from moneys other than Bond proceeds.

(i) The Borrower will permit Issuer, the Trustee, or the Monitoring Agent or any of their respective officers, agents, or employees, after prior notice and at reasonable intervals during normal business hours, to inspect the Project, subject to the rights of tenants-in-possession, and to inspect the books and records of the Borrower pertaining to the occupancy of the Project and any certifications relating thereto.

Transfer Restrictions

The Borrower has agreed that:

(a) Subject to the provisions of described in paragraph (c) below, the Borrower will not sell, convey, transfer, or otherwise dispose of the Project without the prior written consent of Issuer and the Trustee, which consent shall not be unreasonably withheld. Neither the consent of Issuer nor the Trustee shall be required for any transfer of the Project to Fannie Mae or any of its respective designees.

(b) The Borrower further agrees that any sale, conveyance, transfer or other disposition of the Project in violation of the provisions summarized under this heading shall be void and without effect, shall cause a reversion of title to the transferor Borrower, and shall be ineffective to relieve the transferor Borrower of its obligations under the Regulatory Agreement. (It is understood and agreed by the parties hereto and the beneficiaries hereof that nothing contained in the Regulatory Agreement shall prevent or limit any transferor Borrower from requiring and obtaining an agreement from the purchaser or transferee of the Project to indemnify and hold the transferor Borrower harmless from and against all loss, liability and damages resulting from a violation of any of the covenants, restrictions, or provisions hereof by the purchaser or transferee or its successors and assigns).

(c) Subparagraphs (a) and (b) shall not apply to, and shall not be interpreted to restrict, prohibit, or require the consent of any party to, or be applicable with respect to, a transfer of title to the Project as a result of the exercise of any rights or remedies under any mortgage or deed of trust, including a transfer as a result of a foreclosure or pursuant to a deed in lieu of foreclosure or any comparable conversion of the Loan. In addition, subparagraphs (a) and (b) shall not be interpreted to restrict, prohibit, or require the consent of any party to any transfer of the Project by Fannie Mae or any of its respective designees, provided that neither the transferee nor any person directly or indirectly controlling, controlled by, or under common control with the transferee may have been or be currently associated with any project currently on Issuer's urgent watchlist; be subject to a limited denial of participation by the U.S. Department of Housing and Urban Development; have been debarred, suspended, or voluntarily excluded from participation in any State or federal program; or had chronic past due accounts, substantial liens or judgments, or prior foreclosures or bankruptcies in the five year period preceding the date of transfer.

(d) No subsequent Borrower of the Project (including Fannie Mae) shall be liable or obligated to pay damages for the breach or default of any obligation of any prior Borrower (including the Borrower) under the Regulatory Agreement, including but not limited to any payment or indemnification obligation. Subject to the above, the Borrower at the time the default or breach was alleged to have occurred shall remain liable for any and all damages occasioned thereby even after such person ceases to be the Borrower. Subject to the provisions of the Regulatory Agreement, no person seeking such damages shall have recourse against the Project.

(e) The Borrower shall not cause or permit the Bonds to be refunded without the prior written consent of Issuer.

(f) Nothing contained in the Regulatory Agreement shall affect any provision of the Mortgage or any of the other Loan Documents which requires the Borrower to obtain the consent of Fannie Mae as a precondition to the sale, transfer or other disposition of, or any direct or indirect interest in, the Project or of any direct or indirect interest in the Borrower, excluding transfers permitted by the Mortgage. No covenant obligating the Borrower to obtain an agreement from any transferee to abide by any requirement or restriction of the Regulatory Agreement shall have any applicability to a transfer to Fannie Mae upon foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Loan by Fannie Mae, or to any subsequent transfer by Fannie Mae following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Loan.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT

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

The Mortgage Loan

Terms. The Mortgage Loan shall (a) be evidenced by the Mortgage Note, (b) be in a principal amount approved by Fannie Mae, not to exceed \$5,000,000, (c) bear interest at the Mortgage Note Rate, (d) be payable on the terms provided in the Mortgage Note, (e) be secured by, among other instruments, the Security Instrument and as otherwise provided in the other Mortgage Loan Documents and/or the Financing Agreement 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 are, set forth in the Mortgage Loan Documents. The Mortgage Note Rate shall be comprised of:

(i) a pass-through rate of interest (the “Pass-Through Rate”), which shall be a rate sufficient to pay when due the interest on the Bonds and the Third Party Fees (to the extent included in the Mortgage Note Rate); and

(ii) Set Rate Interest, which shall be equivalent to the sum of (1) the Facility Fee payable to Fannie Mae and (2) the Servicing Fee.

Mortgage Loan Payments. All regularly scheduled payments due under the Mortgage Note shall be timely paid by the Borrower, when due, in immediately available funds. All payments of interest, principal and other amounts payable by the Borrower under the Mortgage Note shall be paid to the Loan Servicer (or other entity then servicing the Mortgage Loan for Fannie Mae). The Borrower agrees to hold the Issuer, the Trustee, the Loan Servicer and Fannie Mae harmless from any liability on account of any failure of the Borrower to make such payments.

Prepayment

Optional Prepayment. The Borrower shall have the right to prepay the Mortgage Loan in whole, but not in part, on the terms provided in, and subject to the limitations of, the Mortgage Note and, to the extent applicable, the Security Instrument and the Reimbursement Agreement, provided that the Borrower shall comply with the provisions of the Financing Agreement. The Borrower agrees that the payment of all amounts set forth in the Financing Agreement shall be a condition precedent to the effectiveness of any prepayment of the Mortgage Loan.

Involuntary Prepayment. The Mortgage Loan shall be subject to involuntary prepayment in whole or in part on the terms provided in the Mortgage Note.

Covenants of the Borrower

The Borrower, in addition to agreeing to make payments with respect to the Mortgage Loan and pay the fees, costs and expenses of various third parties, makes a wide range of business covenants and representations in the Financing Agreement with respect to itself and the Project, including covenants and representations dealing with payment of taxes and insurance, maintenance of the Project, compliance with

applicable laws, maintenance of legal existence, disposition of the Project and indemnification. The covenants contained in the Financing Agreement are in addition to and are not intended to modify or limit any provisions of the Mortgage Loan Documents.

Non-recourse Liability

Except as otherwise provided in the Mortgage Loan Documents, in any action or proceeding brought with respect to the Mortgage Loan or the Bonds, no deficiency or other money judgment shall be enforced against the Borrower or any partner of the Borrower or any successor or assign of the Borrower, and any judgment obtained shall be enforced only against the Mortgaged Property and other property of the Borrower encumbered by the Mortgage Loan Documents and not against the Borrower or any partner of the Borrower or any successor or assign of the Borrower. Notwithstanding the foregoing, anything to the contrary contained in the Financing Agreement, the obligations of the Borrower to the Issuer, the Trustee or any other party (a) with regard to the payment of third party fees and expenses and indemnification and (b) to pay any and all rebate amounts that may be or become owing with respect to the Bonds, shall be recourse to the Borrower, but except with respect to obligations owing to Fannie Mae, not to the Mortgaged Property or any other property encumbered by the Mortgage Loan Documents.

Events of Default and Remedies

Events of Default.

Each of the following shall constitute an event of default under the Financing Agreement, and the term “Event of Default” shall mean, whenever used in the Financing Agreement, any one or more of the following events:

- (a) the failure by the Borrower to pay any amounts due under the Financing Agreement at the times and in the amounts required by the Financing Agreement;
- (b) the failure by the Borrower to observe or perform any covenants, agreements or obligations in the Financing Agreement on its part to be observed or performed (other than as provided in paragraph (a) above) for a period of 30 days after receipt of written notice from the Trustee specifying such failure and requesting that it be remedied; provided, however, that if the failure is such that it cannot be corrected within such period, it shall not constitute an Event of Default if the failure is correctable without material adverse effect on the validity or enforceability of the Bonds or on the exclusion from gross income, for federal income tax purposes, of the interest on the Bonds, and if corrective action is instituted by the Borrower within such period and diligently pursued until the failure is corrected, and provided further that any such failure shall have been cured within 90 days of receipt of notice of such failure;
- (c) any breach of any of the covenants, agreements or obligations of the Borrower under, or the occurrence of a default under, the Regulatory Agreement, including any exhibits to the Regulatory Agreement;
- (d) the determination by the Issuer, the Trustee, the Loan Servicer or Fannie Mae that any representation or warranty made by the Borrower in the Financing Agreement or in any document delivered by or on behalf of the Borrower to the Trustee, the Loan Servicer, Fannie Mae or the Issuer in connection with the Mortgaged Property, the Mortgage Loan or the Bonds was untrue or misleading in any material respect as of the date made or deemed made;

(e) the occurrence of an Event of Default under and as defined in the Indenture or under and as defined in any other Bond Document caused by the Borrower's failure to comply with the terms or conditions of any such Bond Document;

(f) the occurrence of any of the following: the Borrower shall generally not pay its debts as they become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors or shall institute any proceeding or voluntary case seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property; or the Borrower shall take any action to authorize any of the actions described above in this paragraph (f), or any proceeding shall be instituted against the Borrower seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property, and, if such proceeding is being contested by the Borrower in good faith, such proceeding shall remain undismissed or unstayed for a period of 60 days;

(g) the filing or making of any claim against the Trust Estate as a result of any action or proceeding described in paragraph (f) above by, or with respect to, the Issuer; or

(h) an Event of Default as a result of a determination by Fannie Mae pursuant to the Financing Agreement.

Cross Default.

The occurrence of a default under the Mortgage Loan Documents shall not constitute an Event of Default under the Financing Agreement unless the default is declared by Fannie Mae, in its sole and absolute discretion, to be an Event of Default under the Financing Agreement, such declaration to be made by written notice to the Trustee. The occurrence of an Event of Default under the Financing Agreement shall not constitute a default under any Mortgage Loan Document unless the Event of Default is declared by Fannie Mae, in its sole and absolute discretion, to be a default under the Mortgage Loan, such declaration to be made by written notice to the Trustee.

Remedies Upon an Event of Default.

General.

Whenever any Event of Default shall have occurred and be continuing under the Financing Agreement, the Trustee may take any one or more of the following remedial steps:

(a) give immediate notice to the Issuer, the Loan Servicer, Fannie Mae and, if the Event of Default is the failure to receive a Required Mortgage Payment (as defined in the Credit Facility), the Trustee shall present notice to Fannie Mae a certificate for an Advance under the Credit Facility; or

(b) if the principal and interest accrued on the Bonds shall have been declared immediately due and payable pursuant to the Indenture, the Trustee shall give notice to the Issuer,

the Loan Servicer and Fannie Mae and present an appropriate certificate for an Advance under the Credit Facility; provided, however, that if the Trustee shall rescind or annul a declaration of acceleration of Bonds pursuant to the Indenture, the Issuer, the Trustee, the Loan Servicer, and Fannie Mae shall be restored to their former rights and positions, and all rights, duties and obligations of the parties shall continue as if no adverse proceeding had been taken, subject to the limits of any adverse determination;

(c) take such action as is permitted by the Mortgage Loan Documents but only with the prior written consent of Fannie Mae;

(d) to the extent of any insufficiency in the payment of the Bonds after the Trustee shall have received an Advance under the Credit Facility, the Trustee may, by any suit, action or proceeding, pursue all remedies now or hereafter existing at law or in equity to collect all amounts then due and thereafter to become due under the Financing Agreement, to enforce the performance of any covenant, obligation or agreement of the Borrower under the Financing Agreement (subject to the non-recourse provisions of the Financing Agreement and the Regulatory Agreement) or to enjoin acts or things which may be unlawful or in violation of the rights of the Issuer or the Trustee;

(e) at the written direction or with the prior written consent of Fannie Mae, apply in any court of competent jurisdiction for specific performance by the Borrower of its covenants, obligations and agreement under the Financing Agreement or for injunctive relief to prevent any violation of the covenants, obligations or agreements on the part of the Borrower to be observed or performed under the Financing Agreement (the Borrower acknowledges and agrees that money damages alone would not be an adequate remedy at law for a default by the Borrower arising from a failure to comply with the Financing Agreement; therefore, the Borrower agrees that the remedy of specific performance or injunctive relief shall be available to the Trustee in any such case); or

(f) at the written direction or with the prior written consent of Fannie Mae, take whatever other action at law or in equity may appear necessary or desirable to enforce any obligation of the Borrower under the Financing Agreement.

In addition, upon the occurrence of an Event of Default, the Issuer, the Trustee, the Loan Servicer and Fannie Mae shall have access to and may inspect, examine, audit and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the Borrower.

Permitted Cures by the Borrower of an Event of Default.

The Trustee may, with the prior written consent of Fannie Mae, and shall, at the written direction of Fannie Mae, permit the Borrower, for a period specified by Fannie Mae, to cure any default under the Mortgage Note and the Security Instrument, but only if (a) the Borrower pays to the Trustee or the Loan Servicer, as the case may be, for proper remittance, all overdue payments of principal and interest on the Mortgage Note, (b) the Borrower cures any non-monetary defaults under the Mortgage Note, the Security Instrument and the other Mortgage Loan Documents to the satisfaction of Fannie Mae, and (c) the Borrower pays all fees, costs and expenses of the Trustee, the Issuer, the Loan Servicer and Fannie Mae, including, without limitation, Extraordinary Items due to the Trustee and all legal fees and expenses, incurred in connection with the default. The Borrower acknowledges that any cure of any default will not affect any subsequent default under the Mortgage Loan Documents.

Waiver and Annulment.

If, after any Event of Default, (a) all amounts which would then be payable under the Financing Agreement by the Borrower if such Event of Default had not occurred and was not continuing shall have been paid by or on behalf of the Borrower, and (b) the Borrower shall have also performed all other obligations in respect of which it is then in default under the Financing Agreement and shall have paid the reasonable fees and expenses of the Issuer, the Trustee, Fannie Mae and the Loan Servicer, including reasonable attorney fees and expenses paid or incurred in connection with such default, then, and in every such case, such Event of Default shall be waived and annulled by the Trustee, but only if so directed by Fannie Mae, in its sole and absolute discretion; no such waiver or annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent on such Event of Default.

Limitations on Actions.

Notwithstanding any other provision of the Financing Agreement or the Regulatory Agreement to the contrary:

(a) neither the Issuer, the Trustee nor any person under the control of either shall, without the prior written consent of Fannie Mae, exercise any remedies or direct any proceedings under the Bond Documents or the Mortgage Loan Documents other than to (i) enforce rights under the Credit Facility, (ii) enforce the tax covenants in the Indenture, the Regulatory Agreement and the Financing Agreement, (iii) enforce rights of specific performance under the Regulatory Agreement, (iv) exercise its rights to replace the property manager in accordance with the terms of the property management agreement or (v) enforce the Issuer's Reserved Rights, provided, however, that any enforcement described under (ii), (iii) or (iv) above shall not include seeking any monetary recovery against the Borrower apart from a monetary recovery associated with Reserved Rights and provided further that (A) any claim of the Issuer for a monetary recovery shall be subordinate to the payment obligations of the Mortgage Loan and (B) the enforcement of any claim for a monetary recovery shall 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 now or hereafter in effect; and

(b) so long as the Credit Facility remains outstanding and a Wrongful Dishonor has not occurred or, if it has occurred, is not continuing, neither the Issuer, the Trustee, nor any person under their control shall:

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

(ii) interfere with or attempt to influence the exercise by Fannie Mae of any of its rights under the Mortgage Loan, including, without limitation, its remedial rights under the Mortgage Loan upon the occurrence of an event of default by the Borrower under the Mortgage Loan; or

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

(c) the foregoing summarized provisions are further subject to the qualification that nothing in the Financing Agreement shall prevent the Issuer from exercising its rights and obligations as administrator under the Housing Assistance Payments Contract between the Issuer and the Borrower (the “HAP Contract”) to the extent required under such HAP Contract and applicable rules, guidelines and policies of the federal Department of Housing and Urban Development (“HUD”).

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

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

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

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

Fannie Mae shall have the right, in its sole discretion, to amend, modify, change, add to or delete any provisions of the Reimbursement Agreement, including, but not limited to, adding cross-defaults to any other documents and agreements, without receiving the consent of, or providing notice to, the Trustee, the Issuer or the Bondholders. Fannie Mae shall also have the right, in its sole discretion, to waive any Event of Default under any Financing Document. Unless such waiver expressly provides to the contrary, any waiver so granted shall 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.

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APPENDIX F

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Community Development Administration
Maryland Department of Housing and
Community Development
100 Community Place
Crownsville, Maryland 21032

\$5,000,000
COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
MULTIFAMILY DEVELOPMENT REVENUE BONDS
(Washington Gardens)
Series 2005 B

Ladies and Gentlemen:

We have acted as Bond Counsel to the Community Development Administration (the “Administration”), an agency in the Division of Development Finance of the Department of Housing and Community Development (the “Department”), a principal department of the government of the State of Maryland (the “State”), in connection with the issuance and sale of \$5,000,000 aggregate principal amount of its Multifamily Development Revenue Bonds (Washington Gardens), Series 2005 B (the “Bonds”).

The Bonds are being issued under and pursuant to Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (previously Sections 2-201 through 2-208 of Article 83B of the Annotated Code of Maryland) (the “Act”) and in accordance with the terms and provisions of a Trust Indenture dated as of December 1, 2005 (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 Housing and Community Development. 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.

Applicable Federal tax law establishes certain requirements which must be met subsequent to the delivery of the Bonds in order to assure that interest on the Bonds will be and will remain excludable from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). The Administration has covenanted in the Indenture to at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest on the Bonds will be and will remain excludable from gross income for Federal income tax purposes. The Administration has also delivered a certificate dated the date of this opinion containing representations, provisions, and procedures relating to compliance with the requirements of the Code. Noncompliance by the Administration with such provisions and procedures may require the inclusion of interest on the Bonds in gross income for Federal income tax purposes retroactive to the date of issuance,

regardless of when such noncompliance occurs or is discovered. In rendering this opinion, we have assumed compliance by the Administration with the aforementioned covenant and representations, provisions, and procedures set forth in the aforementioned certificate.

Based upon the foregoing, we are of the opinion that:

- (1) Under the Constitution and laws of the State, the Act is valid and the Administration has been duly created and validly exists as an agency in 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 issue the Bonds to provide funds to refinance the Projects and to perform its obligations under the terms and conditions of the Indenture.
- (2) The Indenture has been duly authorized, executed and delivered by the Administration and, assuming due authorization, execution and delivery by the Trustee, constitutes the valid and legally binding limited obligation of the Administration enforceable against the Administration in accordance with its terms.
- (3) The Bonds are valid and legally binding limited obligations of the Administration, payable solely from the Trust Estate pledged therefor under the Indenture. The Indenture creates the valid pledge of and the valid lien which it purports to create upon the Trust Estate, 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.
- (4) 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, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities financed with the proceeds of the Bonds or a “related person.” Interest on the Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code.
- (5) 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 franchise taxes or 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 issue date, and we assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express 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.

Very truly yours,

APPENDIX G

FORM OF THE CREDIT FACILITY

CREDIT ENHANCEMENT INSTRUMENT (Stand-By)

This Credit Enhancement Instrument (Stand-By), dated December __, 2005 (the “Credit Facility”), is an undertaking of Fannie Mae, and is provided at the request and pursuant to the instructions of Washington Gardens Preservation Associates Limited Partnership, a Maryland limited partnership (the “Borrower”) for the benefit of Manufacturers and Traders Trust Company, a New York banking corporation (the “Trustee”), not in its individual or corporate capacity, but solely as Trustee under the Indenture.

The meaning of capitalized terms can be determined by reference to Section 1.1.

In consideration of the Borrower entering into the Reimbursement Agreement, the payment of certain fees to Fannie Mae, and other good and valuable consideration, Fannie Mae undertakes the following:

Definitions: Interpretation; Reference Materials.

Definitions. Capitalized terms used in this Credit Facility shall have the meanings given to those terms in this Section 1.1 or elsewhere in this Credit Facility. Capitalized terms used in this Credit Facility and not defined in this Credit Facility are defined in, and have the meanings given to those terms in, the Indenture or the Financing Agreement.

“Act of Bankruptcy” means any proceeding instituted under the Bankruptcy Code by or against the Borrower or the Loan Servicer.

“Advance” means a Scheduled Payment Advance, an Extraordinary Advance, a Bankruptcy-Related Advance or a Purchased Bonds Advance, as such terms are defined in Section 4.

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

“Amount Available” has the meaning given to that term in Section 2.

“Assignment” means the Assignment and Intercreditor Agreement, dated as of December 1, 2005, among the Issuer, the Trustee and Fannie Mae, and acknowledged, accepted and agreed to by the Borrower, as it may be amended, modified, supplemented or restated from time to time.

“Authorized Officer” means an officer of the Trustee who is duly authorized to execute and deliver Certificates on behalf of the Trustee.

“Bankruptcy Code” means Title 11 of the United States Code, entitled “Bankruptcy”, as now in effect and as amended from time to time in the future, or any successor provisions of federal law.

“Bankruptcy-Related Advance” has the meaning given to that term in Section 4.1(iii).

“Bankruptcy-Related Interest Portion” has the meaning given to that term in Section 2(ii).

“Bonds” means the Issuer’s \$5,000,000 aggregate principal amount of Multifamily Development Revenue Bonds (Washington Gardens) Series 2005 B issued under and secured by the Indenture.

“Borrower” means the person identified as such in the first paragraph of this Credit Facility as the “Borrower” and any successor as permitted under the Security Instrument.

“Business Day” means a day other than (a) a Saturday or a Sunday, (b) any day on which banking institutions located in the City of New York, New York or the city in which the Principal Office of the Trustee is located are required or authorized by law or executive order to close (c) a day on which banking institutions located in the city in which the Principal Office of the Loan Servicer is located are required or authorized by law or executive order to close, (d) any day on which Fannie Mae is closed or (e) a day on which the New York Stock Exchange is closed.

“Certificate” means any certificate in a form attached to this Credit Facility as an Exhibit.

“Credit Facility” means this Credit Enhancement Instrument (Stand-By), as it may be amended, modified, supplemented or restated from time to time.

“Due Date” means the eighteenth (18th) day of each month or, if such day is not a Business Day, the next preceding Business Day.

“Event of Default” means any Event of Default as defined in the Reimbursement Agreement.

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

“Exhibit” means any exhibit to this Credit Facility.

“Expiration Date” means the Expiration Date stated in Section 3.1.

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

“Financing Agreement” means the Financing Agreement, dated as of December 1, 2005, among the Issuer, the Trustee and the Borrower, as it may be amended, modified, supplemented or restated from time to time.

“Indenture” means the Trust Indenture, dated as of December 1, 2005, between the Issuer and the Trustee, as it may be amended, modified, supplemented or restated from time to time.

“Interest Portion” has the meaning given to that term in Section 2(ii).

“Issuer” Community Development Administration, an agency in the Division of Development Finance of the Department of Housing and Community Development, a principal department of the government of the State of Maryland, and its successors under the laws of the State of Maryland.

“Loan Servicer” means, initially, Prudential Mortgage Capital, or any other entity approved by Fannie Mae, in its discretion, as the servicer of the Mortgage Loan, and any permitted successors or assigns.

“Loan Servicer Advance” means any advance made by the Loan Servicer of any amount payable under the Mortgage Note upon the Borrower’s failure to pay such amount when due, including, but not limited to, a Required Mortgage Payment.

“Mortgage Loan Payment Amortization Schedule” means the Mortgage Loan Payment Amortization Schedule attached to and a part of this Credit Facility, as it may be amended from time to time.

“Pass-Through Rate” has the meaning given to that term in the Mortgage Note.

“Principal Portion” has the meaning given to that term in Section 2(i).

“Required Mortgage Payment” means only (a) the regularly scheduled monthly payments of interest (at the Pass-Through Rate), or payments of principal and interest (at the Pass-Through Rate), as the case may be, due and payable under the Mortgage Note on the first day of each month, and (b) on the maturity date of the Mortgage Note, the unpaid principal balance of the Mortgage Note and all accrued and unpaid interest (at the Pass-Through Rate) due on the Mortgage Note as of the maturity date of the Mortgage Note. “Required Mortgage Payment” does not mean and expressly excludes, (a) all other payments due or payable under the Mortgage Note, the Security Instrument and the other Mortgage Loan Documents, such exclusion to extend expressly, without limitation, to (1) interest in excess of interest at the Pass-Through Rate, including that portion of the Mortgage Note Rate that comprises Set Rate Interest, (2) any prepayment of principal and accrued and unpaid interest on the Mortgage Note attributable to such principal, including any payments in respect of the principal of, premium, if any, and interest on, the Bonds payable to the Bondholders upon a redemption of Bonds occasioned by a prepayment of the Mortgage Note, (3) late charges, (4) default interest, (5) payments for reserves, taxes, insurance and other impositions and (6) payments pursuant to any Collateral Agreement (as defined in the Security Instrument) executed in connection with the Mortgage Loan and (b) all payments on the Mortgage Note in respect of the principal of, premium, if any, and the interest on, any Excluded Bond.

“Security Instrument” has the meaning given that term in the Mortgage Note.

“Set Rate Interest” has the meaning given to that term in the Mortgage Note.

“Termination Date” has the meaning given to that term in Section 3.1.

Rules of Construction. The following rules of construction shall apply to this Credit Facility.

Words importing persons include natural persons, trusts, companies, associations, partnerships, limited liability companies and corporations.

The singular form of any word used in this Credit Facility, including the terms defined in Section 1.1, shall include the plural, and vice versa, unless the context otherwise requires; the use in this Credit Facility of a pronoun of any gender shall include correlative words of the other gender.

All references to Certificates shall mean certificates in the forms attached to this Credit Facility.

All references to Exhibits shall mean Exhibits to this Credit Facility.

Sections mentioned by number only are the respective sections of this Credit Facility so numbered.

References to “this section” or “this subsection” shall refer to the particular section or subsection of this Credit Facility in which such reference appears.

Any captions, titles or headings preceding the text of any section are solely for convenience of reference and shall not constitute part of this Credit Facility, shall not limit or otherwise affect its meaning, construction or effect and shall not be deemed to describe the scope or intent of any provision of this Credit Facility.

Wherever the term “including” is used in this Credit Facility, such term shall mean “including, but not limited to, and only by way of example.”

Amount Available. The Amount Available of this Credit Facility (a) for Advances other than Bankruptcy-Related Advances is \$ _____ and (b) for Bankruptcy-Related Advances is \$ _____ (in either case, as such amount may be reduced or reinstated from time to time under this Credit Facility, the “Amount Available”). Of the Amount Available:

up to \$5,000,000 (the “Principal Portion”) is available to be advanced to the Trustee for (a) the payment of the unpaid principal balance of the Mortgage Note, (b) amounts paid with respect to principal on the Mortgage Note which are recovered from any Bondholder as a result of an Act of Bankruptcy or prevented from being paid to the Bondholders as a result of an imposition of an automatic stay pursuant to the Bankruptcy Code or (c) the portion of the purchase price of Bonds tendered for purchase under the Indenture equal to the unpaid principal balance of the Bonds; and

up to (a) \$ _____ (the “Interest Portion”) is available to be advanced to the Trustee for the payment of up to thirty-four (34) days of interest actually accrued on the unpaid principal balance of the Mortgage Note at the Pass-Through Rate, calculated on the basis of a 360 day year comprised of twelve 30-day months in connection with Advances other than Bankruptcy-Related Advances and (b) \$ _____ (the “Bankruptcy-Related Interest Portion”) is available to be advanced to the Trustee for (1) the payment of up to one hundred twenty three (123) days of interest actually accrued on the Mortgage Note on the unpaid principal balance of the Mortgage Note at the Pass-Through Rate, calculated on the basis of a 360 day year comprised of twelve 30-day months, or (2) payment of the Initial Debt Service Deposit provided for in the Indenture, both in connection with Bankruptcy-Related Advances.

Expiration; Earlier Termination; Continuation; Business Day Convention; Cancellation.

Expiration; Earlier Termination. This Credit Facility expires at 4:00 p.m., Washington, D.C. time, on February 6, 2036 (the “Expiration Date”). This Credit Facility terminates automatically upon the first to occur of (a) the Expiration Date, (b) the honoring by Fannie Mae of an Advance which has the effect of reducing the Principal Portion to zero when such Principal Portion is not subject to reinstatement or (c) Fannie Mae’s receipt of a Certificate in the form of Exhibit I (which shall be conclusive evidence of the matters set forth in such Certificate) signed by a person who purports to be an Authorized Officer. The date determined in the preceding sentence is the “Termination Date” of this Credit Facility.

Business Day Convention. In the event that any date on which this Credit Facility would otherwise expire or terminate shall be a day other than a Business Day, this Credit Facility shall continue in effect and shall not expire or terminate until 4:00 p.m., Washington, D.C. time, on the first Business Day after the date on which this Credit Facility would otherwise expire or terminate.

Continuation. Notwithstanding the provisions of Sections 3.1 and 3.2, this Credit Facility shall continue in effect beyond the Termination Date solely with respect to Fannie Mae’s obligations to make a Bankruptcy-Related Advance with respect to any payment made by the Borrower under the Mortgage Note or with respect to any Loan Servicer Advance made prior to such Termination Date and within one hundred twenty three (123) days prior to an Act of Bankruptcy until the earlier of the date on which Fannie Mae shall have paid to the Trustee the amount recovered or the date on which all applicable statutes of limitations shall have expired without a claim having been filed (or if any claim shall have been filed prior to such expiration, the latter of the date on which such claim has been denied with prejudice by a final order which is no longer subject to appeal or the date on which such claim has been paid by Fannie Mae). In no event shall this Credit Facility be deemed to continue in effect beyond the Termination Date to the extent that any Advance by Fannie Mae with respect to the Mortgage Loan would be applied by the Trustee to the payment of principal or interest on any Excluded Bond.

Delivery. This Credit Facility shall be returned to Fannie Mae upon termination of all of Fannie Mae’s obligations under this Credit Facility.

Advances.

Certificates. Fannie Mae shall advance funds under this Credit Facility upon presentation of the applicable Certificate by the Trustee to Fannie Mae at the address and in the manner set forth in Section 5. Any Certificate submitted to Fannie Mae by the Trustee shall (a) have all blanks appropriately completed, (b) be signed by an Authorized Officer and (c) be a Certificate in the form of:

Exhibit A (a “Scheduled Payment Advance”) if the Advance is requested by the Trustee because, as of 3:00 p.m., Washington, D.C. time, on the Business Day immediately following a Due Date, the Trustee either (a) has not received a Required Mortgage Payment or (b) has received payment of an amount less than the amount of the Required Mortgage Payment due to the Trustee on the Due Date;

Exhibit B (an “Extraordinary Advance”) if the Advance is requested by the Trustee (a) as a result of an acceleration of the Bonds pursuant to Section 9.2 of the Indenture or (b) in connection with a special mandatory redemption of the Bonds pursuant to Sections 3.3(1) or 3.3(2) of the Indenture;

Exhibit C (a “Bankruptcy-Related Advance”) if the Advance is requested by the Trustee with respect to (a) any payment made by the Borrower under the Mortgage Note, (b) any prepayment made by the Borrower under the Mortgage Note with the consent of Fannie Mae in connection with an

optional redemption of the Bonds (excluding the amount of such prepayment relating to the premium due on the Bonds, if any, and interest due on the Bonds from the date of prepayment of the Mortgage Loan to the Redemption Date) or (c) any Loan Servicer Advance, which is recovered from any Bondholder as a result of an Act of Bankruptcy or prevented from being paid to the Bondholders as a result of the imposition of an automatic stay pursuant to the Bankruptcy Code; or

(iv) Exhibit D (a “Purchased Bonds Advance”) if the Advance is requested by the Trustee under Section 2.16(1)(4) of the Indenture to pay the principal amount of, plus accrued interest on, Bonds tendered for purchase pursuant to the terms of Section 2.16 of the Indenture.

Manner of Payment. All Advances made under this Credit Facility will be made with Fannie Mae’s own funds in immediately available funds. Fannie Mae, by delivery of a Notice of Credit in the form attached to this Credit Facility as Exhibit H, may direct the Trustee from time to time to effect an Advance by deducting the amount of the Advance from an account maintained by Fannie Mae with the financial institution serving as Trustee; any such deduction shall constitute payment under this Credit Facility.

Exclusions. The Trustee shall not request Advances and Advances shall not be made under this Credit Facility to pay (a) the principal of, or interest on, or the purchase price of, any Excluded Bond, (b) premium that may be payable upon the redemption of any Bond or (c) interest that may accrue on the Mortgage Note or any Bond after the maturity of the Mortgage Note or such Bond.

Timing of Advances.

Presentation of Certificates. Funds under this Credit Facility are available to the Trustee upon presentation of the Trustee’s appropriately completed Certificate in the form of Exhibit A, B, C or D, as stated in Section 4.1. Presentation of a Certificate shall be made at Fannie Mae’s office located at:

Fannie Mae
Drawer AM
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016
Attention: Director, Multifamily Operations – Stand-By Credit Facility

Notwithstanding the foregoing, in the event of any Purchased Bonds Advance, presentation of the Certificate in the form of Exhibit D shall be made at Fannie Mae’s office located at:

Fannie Mae
3900 Wisconsin Avenue, NW
Washington, D.C. 20016
Attention: Director of Fiscal Agency
Relations, Treasurer’s Office

And, in addition, with a copy to

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016
Attention: Director of Multifamily Asset Servicing

In lieu of presentation to Fannie Mae of a Certificate required by this Credit Facility, the Trustee may transmit the Certificate to Fannie Mae by means of telecopy (such transmission to be immediately followed by telephonic notice) at the address (or in the case of a Purchased Bonds Advance, addresses) provided in Section 12.1. Fannie Mae may provide for a means of electronic submission of Certificates by subsequent notice to the Trustee.

Payment of Advance. Fannie Mae agrees that upon due delivery of a Certificate as specified in Section 4.1 in compliance with the terms of this Credit Facility, Fannie Mae will honor payment of the amount specified in the Certificate if presented as specified in this Section 5.2(1) on or before the Termination Date.

5.2(1) Scheduled Payment Advance or Bankruptcy-Related Advance. If a Certificate in respect of a Scheduled Payment Advance or a Bankruptcy-Related Advance is presented under this Credit Facility:

at or prior to 12:00 noon, Washington, D.C. time, on a Business Day, and provided that the Certificate so presented conforms to the requirements of this Credit Facility, no later than 12:00 noon, Washington, D.C. time, on the fifth Business Day following such presentation, Fannie Mae either shall pay to the Trustee the amount specified or provide the Trustee with the fedwire number relating to the wiring of that amount; or

after 12:00 noon, Washington, D.C. time, on a Business Day, and provided that the Certificate so presented conforms to the requirements of this Credit Facility, no later than 12:00 noon, Washington, D.C. time, on the sixth Business Day following such presentation, Fannie Mae either shall pay to the Trustee the amount specified or provide the Trustee with the fedwire number relating to the wiring of that amount.

5.2(2) Extraordinary Advance. If a Certificate in respect of an Extraordinary Advance is presented under this Credit Facility:

(i) at or prior to 12:00 noon, Washington, D.C. time, on a Business Day, and provided that the Certificate so presented conforms to the requirements of this Credit Facility, no later than 12:00 noon, Washington, D.C. time, on the fifth (5th) Business Day following such presentation, Fannie Mae either shall pay to the Trustee the amount specified or provide the Trustee with the fedwire number relating to the wiring of that amount; or

(ii) after 12:00 noon, Washington, D.C. time, on a Business Day, and provided that the Certificate so presented conforms to the requirements of this Credit Facility, no later than 12:00 noon, Washington, D.C. time, on the sixth (6th) Business Day following such presentation, Fannie Mae either shall pay to the Trustee the amount specified or provide the Trustee with the fedwire number relating to the wiring of that amount.

5.2(3) Purchased Bonds Advance.

5.2(3)(A) Failed Remarketing. If as a result of a failure to satisfy the conditions of Section 2.16(1)(3) of the Indenture for the remarketing of the Bonds on a Remarketing Date, a certificate in respect of a Purchased Bonds Advance is presented under this Credit Facility:

(i) at or prior to 9:30 a.m., Washington, D.C. time, on the third Business Day preceding a Remarketing Date, and provided that the certificate so presented conforms to the requirements of this Credit Facility, no later than 12:00 noon, Washington, D.C. time, on the

remarketing date, Fannie Mae either shall pay to the Trustee the amount specified or provide the Trustee with the fedwire number relating to the wiring of that amount; or

(ii) after 9:30 a.m., Washington, D.C. time, on the third Business Day preceding a Remarketing Date, and provided that the certificate conforms to the requirements of this Credit Facility, no later than 12:00 noon, Washington, D.C. time, on the first Business Day following the Remarketing Date, Fannie Mae either shall pay the amount specified or provide the Trustee with the fedwire number relating to the wiring of that amount; or

5.2(3)(b) Insufficient Moneys. If, as a result of there being insufficient moneys available to the Trustee on a Remarketing Date to effect the remarketing of all of the Bonds on the Remarketing Date (notwithstanding the satisfaction of the conditions of Section 2.16(1)(3) of the Indenture for the remarketing of the Bonds on the Remarketing Date), a certificate in respect of a Purchased Bonds Advance is presented under this Credit Facility:

(i) at or prior to 9:30 a.m., Washington, D.C. time, on the Business Day following the remarketing date, and provided that the certificate conforms to the requirements of this Credit Facility, no later than 12:00 noon, Washington, D.C. time, on any date no later than the third Business Day following the scheduled Remarketing Date, Fannie Mae either shall pay to the Trustee the amount specified or provide the Trustee with the fedwire number relating to the wiring of that amount, or

(ii) after 9:30 a.m., Washington, D.C. time, on the Business Day following the Remarketing Date, and provided that the certificate conforms to the requirements of this Credit Facility, no later than 12:00 p.m., Washington, D.C. time, on any date no later than the fourth Business Day following the scheduled Remarketing Date, Fannie Mae either shall pay to the Trustee the amount specified or provide the Trustee with the fedwire number relating to the wiring of that amount.

Reduction; Reinstatement.

Reduction.

6.1(1) Principal Portion. The Principal Portion of the Amount Available shall be reduced permanently by (a) the portion of the amount of each Scheduled Payment Advance, Extraordinary Advance, Bankruptcy-Related Advance and Purchased Bonds Advance made by Fannie Mae under this Credit Facility allocable to principal payable under the Mortgage Note, subject to reinstatement following a Purchased Bonds Advance as provided in Section 6.2(1) or (b) the principal amount specified in a Certificate of Reduction in the form of Exhibit E, signed by a person who purports to be an Authorized Officer, delivered to Fannie Mae. The portion of each Scheduled Payment Advance, Extraordinary Advance, Bankruptcy-Related Advance and Purchased Bonds Advance allocable to principal payable under the Mortgage Note shall (a) in the case of a Scheduled Payment Advance, be equal to the principal portion of the Required Mortgage Payment covered by the Scheduled Payment Advance (determined by reference to the Mortgage Loan Payment Amortization Schedule) or (b) in the case of an Extraordinary Advance, a Bankruptcy-Related Advance, or a Purchased Bonds Advance, be equal to the principal portion of the Mortgage Note covered by the Extraordinary Advance, the Bankruptcy-Related Advance or the Purchased Bonds Advance. The Principal Portion of the Amount Available shall also be reduced permanently and automatically, and shall not be subject to reinstatement, one hundred twenty-three (123) days after (a) each payment on the Mortgage Note by the Borrower to the extent such payment reduces the outstanding principal balance of the Mortgage Note, the amount of the reduction to be an amount equal to the portion of the Borrower's Mortgage Note payment applied to reduce the outstanding principal balance of the Mortgage Note (determined by reference to the Mortgage Loan Payment Amortization Schedule, unless otherwise specified by Fannie Mae) or (b) each Loan

Servicer Advance which reduces the outstanding principal balance of the Mortgage Note, the amount of such reduction to be in an amount equal to the portion of the Loan Servicer Advance applied to reduce the outstanding principal balance of the Mortgage Note (determined by reference to the Mortgage Loan Payment Amortization Schedule, unless otherwise specified by Fannie Mae), provided that, in the case of (1) a payment by the Borrower, an Act of Bankruptcy has not occurred as to the Borrower within such one hundred twenty-three (123) day period, and (b) a Loan Servicer Advance, an Act of Bankruptcy has not occurred as to the Loan Servicer within such one hundred twenty-three (123) day period. Fannie Mae shall notify the Trustee in writing, within ten (10) days after receipt of written notice from the Loan Servicer of the application of any payment on the Mortgage Note by the Borrower or any Loan Servicer Advance applied to reduce the outstanding principal balance of the Mortgage Note other than in accordance with the Mortgage Loan Payment Amortization Schedule, and the amount of such reduction.

6.1(2) Interest Portion. The Interest Portion of the Amount Available shall be reduced by (a) the portion of the amount of each Scheduled Payment Advance, Extraordinary Advance, Bankruptcy-Related Advance and Purchased Bonds Advance made by Fannie Mae under this Credit Facility allocable to interest due under the Mortgage Note, subject to reinstatement as provided in Section 6.2(2) or (b) the interest amount specified in a Certificate of Reduction in the form of Exhibit E, signed by a person who purports to be an Authorized Officer, delivered to Fannie Mae. The Interest Portion of the Amount Available shall be reduced permanently and automatically in an amount equal to thirty-four (34) days interest calculated at the Pass-Through Rate on the basis of a 360 day year comprised of twelve 30-day months in the amount of any permanent reduction in the Principal Portion of the Amount Available.

6.1(3) Reduction Without Exception. Reductions of the Principal Portion and the Interest Portion under Section 6.1(1) and Section 6.1(2), respectively, shall be automatic, notwithstanding any acts or omissions, whether authorized or unauthorized, of the Trustee or any officer, director, employee or agent of the Trustee in connection with any Advance under this Credit Facility or the proceeds of any Advance or otherwise in connection with this Credit Facility.

Reinstatement - Scheduled Payment Advance; Extraordinary Advance; Purchased Bonds Advance.

6.2(1) Reinstatement of Principal Portion. The Principal Portion of any Scheduled Payment Advance or any Extraordinary Advance shall not be reinstated. The principal portion of any Purchased Bonds Advance shall be reinstated upon Fannie Mae's receipt of (a) a certificate in the form of Exhibit F, signed by a person who purports to be an Authorized Officer, delivered to Fannie Mae and (b) the total amount specified in Exhibit F.

6.2(2) Reinstatement of Interest Portion. The Interest Portion of a Scheduled Payment Advance shall, subject to permanent reduction in an amount equal to thirty-four (34) days interest calculated at the Pass-Through Rate on the basis of a 360 day year comprised of twelve 30-day months in the amount of the permanent reduction in the Principal Portion of the Amount Available on account of such Scheduled Payment Advance, be reinstated immediately and automatically, in an amount equal to the amount of the Interest Portion of the Scheduled Payment Advance (subject, however, to any permanent reduction of the Interest Portion in connection with a permanent reduction of the Principal Portion of the Amount Available, as provided above). The Interest Portion of a Purchased Bonds Advance shall be reinstated upon Fannie Mae's receipt of a certificate in the form of Exhibit F signed by a person who purports to be an Authorized Officer.

Reinstatement; Bankruptcy-Related Advance.

6.3(1) Principal Portion. Bankruptcy-Related Advances of the Principal Portion of the Amount Available under this Credit Facility for payment of amounts paid by the Borrower as principal of the Mortgage Note or by the Loan Servicer as a Loan Servicer Advance and either (a) recovered from Bondholders pursuant to the Bankruptcy Code or (b) made subject to the automatic stay prior to payment to the Bondholders shall not be reinstated and the Principal Portion of the Amount Available shall be reduced permanently and automatically by an amount equal to the amount of principal so paid.

6.3(2) Interest Portion. Bankruptcy-Related Advances of the Bankruptcy-Related Interest Portion of the Amount Available under this Credit Facility shall not be reinstated and shall be reduced permanently and automatically in an amount equal to one hundred twenty-three (123) days of interest at the Pass-Through Rate, calculated on the basis of a 360 day year comprised of twelve 30-day months, in the amount of any permanent reduction in the Principal Portion of the Amount Available on account of a Bankruptcy-Related Advance. Subject to the foregoing, a Bankruptcy-Related Advance of the Bankruptcy-Related Interest Portion of the Amount Available under this Credit Facility shall be reinstated automatically, in an amount equal to the amount of the Bankruptcy-Related Interest Portion, upon the earlier of (a) Fannie Mae's receipt of an amount equal to the Borrower's reimbursement obligations to Fannie Mae pursuant to the Reimbursement Agreement with respect to any such Bankruptcy-Related Advance or (b) the tenth calendar day following the date of the making of such Bankruptcy-Related Advance unless such tenth calendar day would be after the Expiration Date or, if earlier, the Termination Date, such automatic reinstatement to be in an amount equal to the amount of the Bankruptcy-Related Interest Portion of such Bankruptcy-Related Advance (subject, however, to any permanent reduction in the Bankruptcy-Related Interest Portion Amount Available in connection with a permanent reduction in the Principal Portion of the Amount Available).

Substitute Credit Facility. Upon any reduction in the Amount Available under this Credit Facility, as provided in this Credit Facility, Fannie Mae may deliver to the Trustee a substitute Credit Facility in exchange for this Credit Facility, which shall have an amount available equal to the amount to which the Amount Available shall have been so reduced, but otherwise having terms identical to this Credit Facility, except for such changes in dollar amount corresponding to such permanent reduction or otherwise identifying any substitute Borrower or any substitute Mortgage Loan Document.

Discharge of Obligations. Only the Trustee may request an Advance under this Credit Facility. Upon the payment to the Trustee of the amount specified in a Certificate presented under this Credit Facility, Fannie Mae shall be fully discharged of its obligations under this Credit Facility with respect to the amount paid under such Certificate and Fannie Mae shall not thereafter be obligated to make any further payments under this Credit Facility in respect of the amount paid under such Certificate to the Trustee or any other person who may have made to the Trustee or makes to the Trustee a demand for payment of principal of, purchase price of, or interest on the Mortgage Note or any Bond.

Nature of Fannie Mae's Obligations. Fannie Mae's obligation to make an Advance to the Trustee upon the proper presentation of a Certificate which conforms strictly to the terms and conditions of this Credit Facility are absolute, unconditional and irrevocable, shall be fulfilled strictly in accordance with this Credit Facility and shall not be affected by any rights of set-off, recoupment or counterclaim Fannie Mae might otherwise have against the Issuer, the Trustee, the Remarketing Agent, the Borrower, the Loan Servicer or any other person. Fannie Mae's obligations under this Credit Facility are primary obligations and shall not be suspended, discontinued, reduced, terminated or affected by the performance or non-performance by the Issuer under the Indenture or the Bonds or the Borrower under the Mortgage Note or the Reimbursement Agreement or by the performance or non-performance of any party under any

agreement between or among the Issuer and the Trustee, the Issuer and the Borrower or the Borrower and Fannie Mae, including without limitation, the Reimbursement Agreement.

Transfer. This Credit Facility may be successively transferred in its entirety (but not in part) upon presentation to Fannie Mae of an appropriately completed transfer form attached as Exhibit G, signed by a person who purports to be an Authorized Officer, to the transferee specified in such Certificate. Except as provided in the preceding sentence, the Trustee shall not transfer, assign or release this Credit Facility other than to Fannie Mae on termination.

Non-Conformance of Documentation. If a request for payment under this Credit Facility made by the Trustee does not conform to the terms and conditions of this Credit Facility, Fannie Mae will notify the Trustee of such lack of conformity within a reasonable time after delivery of such request for payment, such notice to be promptly confirmed in writing to the Trustee, and Fannie Mae shall hold any documents at the Trustee's disposal or, at the Trustee's option, return the same to the Trustee.

Credit Facility Following Foreclosure. In the event that Fannie Mae acquires the Mortgaged Property through foreclosure, by accepting a deed-in-lieu of foreclosure or by comparable conversion of the Mortgage Loan, this Credit Facility shall continue in full force and effect. After any such conversion of the Mortgage Loan, Fannie Mae may deliver to the Trustee a substitute Credit Facility in exchange for this Credit Facility, which shall have an amount available equal to the amount to which the Amount Available may have been so reduced, but otherwise having terms identical to this Credit Facility, except for such changes in dollar amount corresponding to such permanent reduction or otherwise identifying any substitute Borrower or revised Mortgage Loan Documents.

Notice.

Fannie Mae. All documents, notices and other communications (a) must be in writing and be personally delivered to Fannie Mae (i) for all Advances at 3900 Wisconsin Avenue, Washington, D.C. 20016 Attention: Director, Multifamily Operations – Stand-By Credit Facility and (ii) in the event of any Purchased Bonds Advance, with a copy to the same address, Attention: Director of Fiscal Agency Relations, Treasury Backoffice or (b) may be sent to Fannie Mae by telecopy (i) for all Advances to the following number: Telecopy No. (301) 280-2042 and (ii) in the event of a Purchased Bonds Advance with a copy to Telecopy No. (202) 752-6087 and (c) make specific reference to this Credit Facility by the Mortgage Loan number relating to this Credit Facility. All telephonic notices confirming telecopy communications to Fannie Mae shall be made to the Vice President, Multifamily Operations at Telephone No. (301) 204-8422. Fannie Mae shall notify the Trustee in writing of any change in address or telecopy number to which all documents, notices and other communications should be delivered or of any changes relating to the person to be called for telephonic notices confirming telecopy communications. Any such written notice shall upon receipt by the Trustee be immediately binding under this Credit Facility.

Trustee. All notices to the Trustee under this Credit Facility sent by telecopy shall be addressed to it at Telecopy No. (410) 244-3725. Such number may be changed only by presentation to Fannie Mae of a letter executed by an Authorized Officer certifying that he or she is such an officer, in form satisfactory to Fannie Mae and specifying a different Telecopy Number.

Entire Credit Facility. This Credit Facility sets forth in full the terms of Fannie Mae's undertaking and shall not in any way be amended, amplified or limited by reference to any document, instrument or agreement referred to in this Credit Facility (including, without limitation, the Bonds) or in which this Credit Facility is referred to or to which this Credit Facility relates, except for the Exhibits referred to in this Credit Facility; any such reference shall not be deemed to incorporate into this Credit Facility by reference any document, instrument or agreement except for such Exhibits.

Governing Law. The Credit Facility shall be governed by the laws of the District of Columbia, including the Uniform Commercial Code as in effect in the District of Columbia.

FANNIE MAE

By: _____

Name: _____

Title: _____

EXHIBIT A

CERTIFICATE FOR "SCHEDULED PAYMENT ADVANCE"

Any capitalized term used but not defined in this Certificate shall have the meaning given that term in the Credit Facility.

The Trustee named below (the "Trustee"), by the undersigned, a duly authorized officer of the Trustee, certifies to Fannie Mae, with reference to the Fannie Mae Credit Enhancement Instrument (Stand-By) relating to Mortgage Loan No. _____ (the "Credit Facility"), that:

- (1) The Trustee is the Trustee under the Indenture.
- (2) The Trustee has not received a Required Mortgage Payment due to the Trustee on the Due Date falling on _____, or has received a payment on or before such Due Date but in an amount less than the amount of the Required Mortgage Payment due to the Trustee on such Due Date.
- (3) The amount of the Required Mortgage Payment due to the Trustee on the Due Date was \$ _____.
- (4) The Trustee received a payment on or before the Due Date in an amount equal to \$ _____, which amount is less than the amount of the Required Mortgage Payment due to the Trustee on the Due Date.
- (5) The amount of the deficiency in the Required Mortgage Payment is \$ _____.
- (6) The Trustee requests payment of a Scheduled Payment Advance in the amount of the deficiency in the Required Mortgage Payment, which amount requested is \$ _____.
- (7) The amount of the requested Advance does not exceed the Amount Available for a Scheduled Payment Advance and was determined in accordance with the Mortgage Loan Payment Amortization Schedule.
- (8) In accordance with the Mortgage Loan Payment Amortization Schedule, the portion of the requested Advance representing principal on the Mortgage Note is \$ _____, and the portion of the requested Advance representing interest on the Mortgage Note is \$ _____.
- (9) Upon receipt by the Trustee of the Advance requested by this Certificate, the Trustee will deposit the Advance into the Credit Facility Account of the Revenue Fund held under the Indenture and will apply the Advance solely for the purposes specified in the Indenture; no portion of such amount shall be applied by the Trustee for any purpose other than as specified in the Indenture.
- (10) Payment of the Advance shall be made to the Trustee at **[SPECIFY ACCOUNT]**.
- (11) Upon payment in accordance with this Certificate, the Amount Available to be requested by the Trustee under the Credit Facility in respect of the Principal Portion is reduced to

\$ _____ and the Amount Available to be requested by the Trustee in respect of the Interest Portion is reduced to \$ _____, subject to reinstatement in accordance with the Credit Facility.

The Trustee has executed and delivered this Certificate on _____.

as Trustee

By: _____
Authorized Officer

EXHIBIT B

CERTIFICATE FOR “EXTRAORDINARY ADVANCE”

Any capitalized term used but not defined in this Certificate shall have the meaning given that term in the Credit Facility.

The Trustee named below (the “Trustee”), by the undersigned, a duly Authorized Officer of the Trustee, certifies to Fannie Mae, with reference to the Fannie Mae Credit Enhancement Instrument (Stand-By) relating to Mortgage Loan No. _____ (the “Credit Facility”), that:

(1) The Trustee is the Trustee under the Indenture.

(2) Either (check applicable box):

☐ (A) payment of the Bonds has been accelerated in accordance with and as permitted by the Indenture; or

☐ (B) the Trustee has received a prepayment of the Mortgage Loan following the involuntary destruction or loss of the Mortgaged Property in its entirety or nearly in its entirety as a result of casualty or condemnation or an award in lieu of condemnation and the sum of (1) the Proceeds (as defined in the Indenture) applied to the prepayment of the Mortgage Note, (2) funds, if any, on deposit in the Funds and Accounts (other than the Rebate Fund, the Costs of Issuance Fund and the Fees Account) under the Indenture to be applied, at the direction of Fannie Mae, to the payment of the Mortgage Loan and (3) funds provided by the Borrower pursuant to the Financing Agreement, is less than the unpaid principal balance of the Bonds Outstanding and therefore insufficient to effect a special mandatory redemption of the Bonds pursuant to Section 3.3(1) of the Indenture; or

☐ (C) the Trustee has received Fannie Mae’s written direction or written consent to effect a special mandatory redemption of the Bonds in whole in accordance with Section 3.3(2) of the Indenture; or

☐ (D) the Trustee has received Fannie Mae’s written direction to effect a special mandatory redemption of the Bonds in part in accordance with Section 3.3(2) of the Indenture.

(3) The amount of the requested Advance (check applicable box) is:

☐ (A) under paragraph (2)(A) of this Certificate is \$_____, which amount is sufficient, and does not exceed the amount necessary, after taking into account moneys, if any, on deposit in the Funds and Accounts (other than the Rebate Fund, the Costs of Issuance Fund and the Fees Account) under the Indenture, which amount under the Indenture is \$_____, to provide for payment of the outstanding principal balance of the Mortgage Loan, plus accrued interest on the Mortgage Loan at the Pass-Through Rate to the date of the Trustee’s declaration of acceleration of the Bonds;

☐ (B) under paragraph (2)(B) of this Certificate is \$_____, which amount is sufficient, and does not exceed the amount necessary, after taking into account the sum of (a) the amount of the Proceeds applied to the prepayment of the Mortgage Note, which amount is

\$_____, (b) moneys, if any, on deposit in the Funds and Accounts (other than the Rebate Fund, the Costs of Issuance Fund and the Fees Account) under the Indenture to be applied, at the direction of Fannie Mae, to the payment of the Mortgage Loan, which amount is \$_____ and (c) funds provided by the Borrower pursuant to the Financing Agreement, which amount is \$_____, and the sum of all of which is \$_____, to provide for payment of the outstanding principal balance of the Mortgage Loan, plus accrued interest on the Mortgage Loan at the Pass-Through Rate to the date of the redemption of the Bonds and, therefore, to redeem all of the Bonds Outstanding;

☐ (C) under paragraph (2)(C) of this Certificate is \$_____, which amount is sufficient, and does not exceed the amount necessary, after taking into account, at the direction of Fannie Mae, moneys, if any, on deposit in the Funds and Accounts (other than the Rebate Fund, the Costs of Issuance Fund and the Fees Account) under the Indenture, which amount under the Indenture is \$_____, to provide, with respect to a special mandatory redemption of the Bonds in whole under Section 3.3(2) of the Indenture, for payment of the outstanding principal balance of the Mortgage Loan, plus accrued interest on the Mortgage Loan at the Pass-Through Rate to the date of the redemption of the Bonds;

☐ (D) under paragraph (2)(D) of this Certificate is \$_____, which amount is sufficient and does not exceed the amount necessary, after taking into account, at the direction of Fannie Mae, moneys, if any, held by the Trustee in the Funds and Accounts (other than the Rebate Fund, the Costs of Issuance Fund and the Fees Account) under the Indenture, which amount under the Indenture is \$_____, to provide, with respect to a special mandatory redemption in part pursuant to Section 3.3(2) of the Indenture, for payment of the amount by which the principal balance of the Mortgage Loan is to be paid in part, plus accrued interest on the Mortgage Loan at the Pass-Through Rate to the date of the redemption of the Bonds Outstanding to be redeemed; the portion of the requested Advance representing principal on the Mortgage Note is \$_____ and the portion of the requested Advance representing interest on the Mortgage Note is \$_____.

(4) The amount of the requested Advance does not exceed the Amount Available.

(5) Upon receipt by the Trustee of the Advance requested by this Certificate, the Trustee will deposit the Advance into the Credit Facility Account of the Revenue Fund held under the Indenture and will apply the Advance solely for the purposes specified in the Indenture; no portion of such amount shall be applied by the Trustee for any purpose other than as specified in the Indenture.

(6) Payment of the Advance shall be made to the Trustee at **[SPECIFY ACCOUNT]**.

(7) Upon payment in accordance with this Certificate, the Amount Available to be requested by the Trustee under the Credit Facility in respect of the Principal Portion is reduced to \$_____ and the Amount Available to be requested by the Trustee in respect of the Interest Portion is reduced to \$_____.

The Trustee has executed and delivered this Certificate on _____.

as Trustee

EXHIBIT C

CERTIFICATE FOR "BANKRUPTCY-RELATED ADVANCE"

Any capitalized term used but not defined in this Certificate shall have the meaning given that term in the Credit Facility.

The Trustee named below (the "Trustee"), by the undersigned, a duly Authorized Officer of the Trustee, certifies to Fannie Mae, with reference to the Fannie Mae Credit Enhancement Instrument (Stand-By) relating to Mortgage Loan No. _____ (the "Credit Facility"), that:

(1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(2) Either (check applicable box):

☐ (A) the Borrower has made a payment under the Mortgage Note or the Loan Servicer has made a Loan Servicer Advance, in either case which payment was used to pay interest or principal of and interest on the Bonds, and such payment would have been made by Fannie Mae had (a) the Borrower failed to make such payment, (b) the Loan Servicer failed to make a Loan Servicer Advance in lieu of such payment and (c) the Trustee properly presented a Certificate to Fannie Mae in the form of Exhibit A; or

☐ (B) the Borrower made an optional prepayment under the Mortgage Note which has resulted in an optional redemption of Bonds which optional prepayment and redemption were consented to in writing by Fannie Mae; or

☐ (C) a payment was made with monies held under the Indenture to pay the principal of or interest on the Bonds; and

(3) Either (check applicable box):

☐ (A) the payments received by the Bondholders, as described in paragraph (2) above, have been recovered from Bondholders pursuant to sections 547, 549 or 550 of the Bankruptcy Code (or pursuant to any successor provisions of law) pursuant to a final nonappealable order of a court pursuant of competent jurisdiction in any proceeding instituted under such Bankruptcy Code; or

☐ (B) the Trustee has been prevented from using moneys on deposit under the Indenture to pay an amount due to Bondholders pursuant to the terms of the Indenture as a result of the imposition of the automatic stay by a bankruptcy court under Section 362 of the Bankruptcy Code (or pursuant to any successor provision of law).

(4) The Trustee requests an Advance under the Principal Portion of the Amount Available in the amount of \$_____ and under the Bankruptcy-Related Interest Portion of the Amount Available of the Credit Facility in the amount of \$_____.

(5) Either (check applicable box):

☐ (A) the amount of principal of Bonds that has been recovered from Bondholders is \$_____, and the amount of interest of Bonds that has been recovered is

\$_____, and the total amount of the requested Advance referred to in paragraph (4) does not exceed such amount; or

☐ (B) the amount of principal of the Bonds that is subject to the automatic stay is \$_____, and the amount of interest of Bonds that is subject to the automatic stay is \$_____, and the total amount of the requested Advance referred to in paragraph (4) does not exceed such amount;

(6) The amount of the requested Advance does not exceed the Principal Portion of the Amount Available or the Bankruptcy-Related Interest Portion Amount Available, respectively, on the date of this Certificate.

(7) In accordance with the Mortgage Loan Payment Amortization Schedule, the portion of the requested Advance representing principal on the Mortgage Note is \$_____, and the portion of the requested Advance representing interest on the Mortgage Note is \$_____.

(8) Upon receipt by the Trustee of the Advance requested by this Certificate, the Trustee will deposit the Advance into the Credit Facility Account of the Revenue Fund held under the Indenture and will apply the Advance solely for the purposes specified in the Indenture; no portion of such amount shall be applied by the Trustee for any purpose other than as specified in the Indenture.

(9) Payment of the Advance shall be made to the Trustee at **[SPECIFY ACCOUNT]**.

(10) Upon payment in accordance with this Certificate, the Principal Portion of the Amount Available is reduced to \$_____ and the Bankruptcy-Related Interest Portion Amount Available is reduced to \$_____, subject to reinstatement in accordance with the Credit Facility.

The Trustee has executed and delivered this Certificate on _____.

as Trustee

By: _____
Authorized Officer

EXHIBIT D

CERTIFICATE FOR PURCHASED BONDS ADVANCE

Any capitalized term used but not defined in this Certificate shall have the meaning given that term in the Credit Facility.

The Trustee named below (the "Trustee"), by the undersigned, a duly Authorized Officer of the Trustee, certifies to Fannie Mae, with reference to the Fannie Mae Credit Enhancement Instrument (Stand-By) relating to Mortgage Loan No. _____ (the "Credit Facility"), that:

(1) The Trustee is the Trustee under the Indenture.

(2) A Remarketing Date under the Indenture has occurred and the Bonds have been tendered or deemed tendered for purchase and remarketing.

(3) Either (check applicable box):

☐ (A) one or more of the conditions set forth in Section 2.16(1)(3) of the Indenture has not been satisfied; or

☐ (B) all conditions set forth in Section 2.16(1)(3) of the Indenture have been satisfied, but there are insufficient moneys available to the Trustee on the Remarketing Date to effect the remarketing of all of the Bonds on the Remarketing Date;

(4) The Trustee was required to make payment for the tendered Bonds and would have funded such payment with the proceeds of the remarketing of the Bonds had the circumstances noted in paragraph (3) above not occurred.

(5) The Trustee requests payment of a Purchased Bonds Advance (a) under the Principal Portion in the amount of \$ _____ to be used to pay the purchase price of the Bonds, in amounts corresponding to the principal amount of such Bonds, and (b) under the Interest Portion in the amount of \$ _____ to be used to pay the portion of the purchase price of the Bonds corresponding to accrued interest on the Bonds (to the Remarketing Date) purchased pursuant to the provisions of the Indenture; the total amount of the Advance requested (i.e. the sum of the amounts specified above) is \$ _____. The Interest Portion for which payment is requested under clause (b) of the preceding sentence does not include interest for any period beyond the Remarketing Date.

(6) The amount of the requested Advance (a) does not exceed the Amount Available for a Purchased Bonds Advance on the date of this Certificate under the Principal Portion or Interest Portion, respectively, of the Credit Facility and (b) was computed in accordance with the terms and conditions of the Bonds and the Indenture.

(7) Upon receipt by the Trustee of the Advance requested by this Certificate (a) the Trustee will deposit the Advance into the Bond Purchase Fund under the Indenture and will apply the same directly for the purposes specified in the Indenture and (b) no portion of such amount shall be applied by the Trustee for any purpose other than as specified in the Indenture.

(8) The proceeds of the Advance requested by this Certificate will not be applied to any payment on any Excluded Bond.

(9) Bonds in a principal amount equal to the aggregate amount of the Principal Portion of the Advance made under this Certificate will be delivered to the Trustee for purchase or if, and only if, delivery of the Bonds is not possible, a written entitlement order will be delivered to the applicable financial intermediaries on whose records ownership of the Bonds is reflected directing the intermediaries to credit the security entitlement to the Bonds to the account of the Trustee or for the account of Fannie Mae if the Trustee has received written instructions from Fannie Mae in accordance with the Indenture that Fannie Mae elects to purchase the Bonds; a written confirmation of such credit will be delivered to the Trustee or Fannie Mae, as applicable.

(10) Payment of the Advance shall be made to the Trustee at **[SPECIFY ACCOUNT]**.

(11) Upon payment in accordance with this Certificate, the Amount Available to be requested by the Trustee under the Credit Facility in respect of the Principal Portion is reduced to \$_____ and the Amount Available to be requested by the Trustee in respect of the Interest Portion is reduced to \$_____, subject in each case to reinstatement in accordance with the Credit Facility.

The Trustee has executed and delivered this Certificate on _____.

as Trustee
By: _____
Authorized Officer

EXHIBIT E

CERTIFICATE OF REDUCTION

Any capitalized term used but not defined
in this Certificate shall have the meaning
given that term in the Credit Facility.

The Trustee named below (the "Trustee"), by the undersigned, a duly Authorized Officer of the Trustee, certifies to Fannie Mae, with reference to the Fannie Mae Credit Enhancement Instrument (Stand-By) relating to Mortgage Loan No. _____ (the "Credit Facility"), that:

- (1) The Trustee is the Trustee under the Indenture.
- (2) The aggregate principal amount of Bonds Outstanding has been reduced to \$ _____.
- (3) Effective on **[INSERT DATE]**, the Amount Available under the Credit Facility shall be reduced by an amount equal to the sum of \$ _____, representing (a) the amount of \$ _____ with respect to the payment of the principal or that portion of the purchase price of Bonds applicable to the principal amount of the Bonds, and (b) the amount of \$ _____ with respect to the payment of interest or that portion of the purchase price of Bonds applicable to accrued interest on the Bonds, all in accordance with the terms and conditions of the Indenture.

By its execution of this Certificate, the Trustee certifies to Fannie Mae that the Trustee is authorized to deliver this Certificate to Fannie Mae and that the amounts specified in paragraph (3) above have been determined in accordance with the terms and conditions of the Indenture.

The Trustee has executed and delivered this Certificate on _____.

as Trustee

By: _____
Authorized Officer

EXHIBIT F

CERTIFICATE OF REINSTATEMENT

Any capitalized term used but not defined in this Certificate shall have the meaning given that term in the Credit Facility.

The Trustee named below (the "Trustee"), by the undersigned, a duly Authorized Officer of the Trustee, certifies to Fannie Mae, with reference to the Fannie Mae Credit Enhancement Instrument (Stand-By) relating to Mortgage Loan No. _____ (the "Credit Facility"), that:

- (1) The Trustee is the Trustee under the Indenture.
- (2) If applicable, the Trustee has received notification that Bonds which had been purchased with the proceeds of a Purchased Bonds Advance under the Credit Facility pursuant to a Certificate in the form attached as Exhibit D to the Credit Facility are to be remarketed or sold.
- (3) The Trustee has received and is transferring to Fannie Mae an amount not less than the amount set forth in paragraph (4).
- (4) Upon receipt by Fannie Mae of this Certificate and \$ _____, (a) the Principal Portion of the Amount Available under the Credit Facility shall be increased by \$ _____, which amount which shall not increase the Principal Portion to an amount in excess of the original Principal Portion of the Amount Available, less any Advances for principal which have not been reinstated in accordance with the express terms of the Credit Facility and (b) the Interest Portion of the Amount Available under the Credit Facility shall be increased by \$ _____, which amount which shall not increase the Interest Portion to an amount in excess of the original Interest Portion of the Amount Available less any Advances for interest which have not been reinstated in accordance with the express terms of the Credit Facility, subject to the right of Fannie Mae to reinstate such amounts as set forth in the Credit Facility.
- (5) Fannie Mae's release or direction to the custodian to release to the Trustee Purchased Bonds corresponding to the Principal Portion identified in paragraph (4) shall be conclusive evidence of the reinstatement of the Principal Portion and Interest Portion as described in paragraph (4) and shall qualify as written notice to the Trustee that the liquidity facility has been reinstated for the purposes of the Indenture.

The Trustee has executed and delivered this Certificate on _____.

as Trustee

By: _____
Authorized Officer

EXHIBIT G

CERTIFICATE FOR SUCCESSOR TRUSTEE

Fannie Mae
3900 Wisconsin Avenue
Washington, D.C. 20016

Attention: [_____]

Ladies and Gentlemen:

With reference to your Credit Enhancement Instrument (Stand-By) relating to Mortgage Loan No. _____ (the "Credit Facility"), we transfer all rights in the Credit Facility to _____, subject to the terms and conditions of the Credit Facility. We certify that the transferee is the successor Trustee under the Indenture referred to in the Credit Facility and such successor Trustee has been approved in writing by Fannie Mae. The transferee has acknowledged below that it is the successor Trustee.

By this transfer, all rights of the undersigned beneficiary in the Credit Facility are transferred to the transferee and the transferee shall have the sole rights as beneficiary of the Credit Facility, including sole rights relating to any amendments, whether increase or extensions or other amendments and whether now existing or made in the future. All amendments are to be advised direct to the transferee.

Dated:

as Trustee

By: _____
Authorized Officer

The above signature of an Authorized Officer or other authorized representative conforms to that on file with us. The Authorized Officer or other representative is authorized to sign for the Trustee.

By: _____
Authorized Officer

the Indenture. _____ hereby acknowledges that it is the successor to _____ as Trustee under

By: _____
Authorized Officer

EXHIBIT H

NOTICE OF CREDIT

[TRUSTEE]

Ladies and Gentlemen:

Until further notice, you are authorized to deduct the amount of an Advance under Credit Enhancement Instrument (Stand-By) relating to Mortgage Loan No. _____ from the following Fannie Mae account maintained at your institution:

FANNIE MAE

By: _____

Name: _____

Title: _____

EXHIBIT I

NOTICE OF TERMINATION

Fannie Mae
3900 Wisconsin Avenue
Washington, D.C. 20016

Attention: [_____]

Re: Credit Enhancement Instrument (Stand-By) (the “Credit Facility”) relating to Mortgage Loan No.

Gentlemen:

The undersigned, a duly Authorized Officer of the undersigned Trustee (the “Trustee”), certifies to Fannie Mae, with respect to the above-referenced Credit Facility, that the Trustee is authorized to file this notice pursuant to the Indenture. Any capitalized terms used by not defined in this Notice shall have the meaning given to that term in the Credit Facility.

The undersigned certifies to Fannie Mae that none of the Bonds are Outstanding under the Indenture other than, if applicable, Excluded Bonds.

Pursuant to the Indenture we are delivering the Credit Facility to you for cancellation.

Very truly yours,

as Trustee

Dated: _____

By: _____

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APPENDIX H

FORM OF CONTINUING DISCLOSURE AGREEMENT

**Community Development Administration
Maryland Department of Housing and Community Development
Multifamily Development Revenue Bonds
(Washington Gardens)
Series 2005 B**

THIS CONTINUING DISCLOSURE AGREEMENT dated as of December 1, 2005 (this “Disclosure Agreement”) is executed and delivered by, Washington Gardens Preservation Associates Limited Partnership, a Maryland limited partnership (the “Borrower”), and Manufacturers and Traders Trust Company, a New York banking corporation with trust powers and having a corporate trust office in Baltimore, Maryland, in its capacity as Dissemination Agent hereunder and in its capacity as trustee (the “Trustee”), for the holders of the above-captioned bonds (the “Bonds”) under the Trust Indenture dated as of December 1, 2005 (the “Indenture”) between the Community Development Administration (the “Issuer”) and the Trustee. The Borrower, the Dissemination Agent and the Trustee covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Borrower, the Dissemination Agent and the Trustee for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with, and constitutes the written undertaking of the Borrower for the benefit of the Bondholders required by, Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 C.F.R. § 240.15c2-12) (the “Rule”).

The Borrower, as an “obligated person” within the meaning of the Rule, undertakes to provide the following information as provided in this Disclosure Agreement:

- (1) Annual Financial Information;
- (2) Audited Financial Statements, if any; and
- (3) Material Event Notices.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Financial Information*” means, in the case of the Borrower, the financial information or operating data with respect to the Project, provided at least annually, of the type included in Exhibit A hereto, which Annual Financial Information may, but is not required to, include Audited Financial Statements.

“*Audited Financial Statements*” means, in the case of the Borrower, the annual audited financial statements, if any.

“Beneficial Owners” means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

“Dissemination Agent” means Manufacturers and Traders Trust Company, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Borrower and which has filed with the Trustee a written acceptance of such designation.

“Holders” means either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in its depository system.

“Material Event” means any of the following events with respect to the Bonds, if material:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related Events of Default under and as defined in the Indenture;
- (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 or events affecting the tax-exempt status of the Bonds;
- (vii) Modifications to rights of Bondholders;
- (viii) Bond calls (other than mandatory sinking fund redemptions);
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds; and
- (xi) Rating changes.

“Material Event Notice” means written or electronic notice of a Material Event.

“NRMSIR” means a nationally recognized municipal securities information repository, as recognized from time to time by the Securities and Exchange Commission for the purposes referred to in the Rule. The current list of NRMSIRs approved by the Securities and Exchange Commission is available at <http://www.sec.gov>.

“Participating Underwriters” means the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Project*” means the project financed with proceeds of the Bonds.

“*SID*” means a state information depository as operated or designated by the State of Maryland as such for the purposes referred to in the Rule. As of the date of this Disclosure Agreement, there is no SID operated or designated by the State of Maryland as such for the purposes referred to in the Rule.

Section 3. Provision of Annual Reports.

(a) While any Bonds are outstanding with respect to the Project, the Borrower shall, or upon written direction shall cause the Dissemination Agent to, provide the Annual Financial Information on or before June 1 of each year (the “Report Date”), beginning on or before June 1, 2006 to each then existing NRMSIR, the SID, if any, and the Issuer. If the Dissemination Agent is to provide the Annual Financial Information, not later than 15 Business Days prior to said date (the “Borrower Report Date”), the Borrower shall provide the Annual Financial Information to the Dissemination Agent. The Borrower shall include with each such submission of Annual Financial Information to the Dissemination Agent a written representation addressed to the Dissemination Agent, upon which the Dissemination Agent may conclusively rely, to the effect that the Annual Financial Information is the Annual Financial Information required to be provided by it pursuant to this Disclosure Agreement and that it complies with the applicable requirements of this Disclosure Agreement. In each case, the Annual Financial Information may be submitted as a single document or as a set of documents, and all or any part of such Annual Financial Information may be provided by specific cross-reference to other documents previously provided to each NRMSIR and the SID, if any, or filed with the Securities and Exchange Commission and, if such a document is a final official statement within the meaning of the Rule, available from the Municipal Securities Rulemaking Board, as provided in the definition of Annual Financial Information. The Audited Financial Statements, if any, may, but are not required to be, provided as a part of the Annual Financial Information.

If not provided as part of the Annual Financial Information, the Borrower shall, or, upon furnishing such Audited Financial Statements to the Dissemination Agent shall cause the Dissemination Agent to, provide Audited Financial Statements when and if available while any Bonds are Outstanding with respect to the Project to each then existing NRMSIR, the SID, if any, and the Issuer.

If the Dissemination Agent has not received a copy of the Annual Financial Information by the Borrower Report Date, the Dissemination Agent shall contact the Borrower to give notice that the Dissemination Agent has not received the Annual Financial Information and that such information must be provided to the NRMSIRS and SID, if any, by the applicable Report Date.

The Dissemination Agent shall:

(i) determine prior to the Borrower Report Date the name and address of each NRMSIR and each SID, if any; and

(ii) to the extent the Borrower has provided the Annual Financial Information to the Dissemination Agent and required such information be sent to each NRMSIR or SID, file a report with the Borrower certifying that the Annual

Financial Information has been provided by the Dissemination Agent to each NRMSIR and SID, if any, pursuant to this Disclosure Agreement, stating the date it was provided and listing each then existing NRMSIR and the SID, if any, to which it was provided.

If the Dissemination Agent does not receive the Annual Financial Information from the Borrower required by clause (a) of this Section by the applicable Report Date, the Dissemination Agent shall, without further direction or instruction from the Borrower, provide to the Municipal Securities Rulemaking Board and to the SID, if any, notice of any such failure to provide to the Dissemination Agent Annual Financial Information by the applicable Report Date. For the purposes of determining whether information received from the Borrower is Annual Financial Information, the Dissemination Agent shall be entitled conclusively to rely on the written representation made by the Borrower pursuant to this Section.

Section 4. Reporting of Significant Events.

(a) (i) If a Material Event occurs while any Bonds are Outstanding, the Borrower shall provide a Material Event Notice in a timely manner to the Dissemination Agent and instruct the Dissemination Agent to provide such Material Event Notice in a timely manner to the Municipal Securities Rulemaking Board, the SID, if any, and the Issuer. Each Material Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the Bonds.

(ii) The Trustee shall promptly advise the Borrower of the occurrence of any event with respect to the Bonds of which the Trustee has actual knowledge which, if material, would constitute a Material Event. For purposes of this Disclosure Agreement, “actual knowledge” of such event shall mean knowledge by the officer of the Trustee with primary responsibility for the administration of the Bonds at the Principal Office of the existence of such event. Notwithstanding anything to the contrary herein, the Trustee shall have no duty to determine the materiality of any such event.

(b) Whenever the Borrower obtains knowledge of the occurrence of an event which, if material, would constitute a Material Event, whether because of a notice from the Trustee pursuant to subsection (a) or otherwise, the Borrower shall as soon as reasonably possible determine if such event would constitute material information for Bondholders and is, therefore, a Material Event.

If the Borrower provides to the Dissemination Agent information relating to the Borrower or the Bonds, which information is not designated as a Material Event Notice, and directs the Dissemination Agent to provide such information to NRMSIRs, the Dissemination Agent shall provide such information in a timely manner to the NRMSIRs or the Municipal Securities Rulemaking Board and the SID, if any.

Section 5. Alternative Filing Systems. To the extent any filings or notices are required to be made pursuant to Section 3 or Section 4 under this Disclosure Agreement, such notices or filings may be disseminated through www.DisclosureUSA.org, currently maintained by the Municipal Advisory Council of Texas, or any similar system that is acceptable to the Securities and Exchange Commission.

Section 6. Termination of Reporting Obligation. The Borrower's, the Dissemination Agent's and the Trustee's obligations under this Disclosure Agreement shall automatically terminate once the Bonds are no longer outstanding or, with respect to the Trustee or the Dissemination Agent, as appropriate, upon the resignation or removal of the Trustee or the Dissemination Agent.

Section 7. Dissemination Agent. The Borrower may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent upon notice to the Dissemination Agent and the Issuer. The Dissemination Agent may resign at any time by providing 30 days' written notice to the Borrower and the Issuer. The initial Dissemination Agent shall be Manufacturers and Traders Trust Company.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Borrower, the Dissemination Agent and the Trustee may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived by the parties hereto, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, acceptable to the Borrower and the Trustee, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, provided that the Borrower shall have provided notice of such delivery and of the amendment to each then existing NRMSIR or the MSRB and the SID, if any, provided that neither the Trustee nor the Dissemination Agent shall be obligated to agree to any amendment that modifies the duties or liabilities of the Dissemination Agent or the Trustee without their respective consent thereto. Any such amendment shall satisfy, unless otherwise permitted by the Rule, the following conditions:

(a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Beneficial Owners and Holders of any of the Bonds, as determined either by parties unaffiliated with the Borrower (such as counsel expert in federal securities laws), or by approving vote of Bondholders pursuant to the terms of the Indenture at the time of the amendment. The initial Annual Financial information after the amendment shall explain, in narrative form, the reasons for the amendment and the effect of the change, if any, in the type of operating data or financial information being provided.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Agreement. If the Borrower chooses to include any information in any Annual Financial Information or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure

Agreement, the Borrower shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of a Material Event.

Section 10. Default. In the event of a failure of the Borrower, the Dissemination Agent or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee, at the written direction of a Participating Underwriter or the Holders of at least 25% in aggregate principal amount of Outstanding Bonds, shall, but only to the extent the Trustee receives indemnification to its satisfaction, or any Beneficial Owner or Holder of any of the Bonds may, seek mandate or specific performance by court order, to cause the Borrower, the Dissemination Agent or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement; provided that none of the Borrower, the Dissemination Agent or the Trustee shall be liable for monetary damages or any other monetary penalty or payment for breach of any of its obligations under this Section or unless, in the case of the Borrower, such breach shall have been willful or reckless. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture or the Financing Agreement, and the rights and remedies provided by the Indenture and the Financing Agreement upon the occurrence of an “Event of Default” shall not apply to any such failure. The sole remedy under this Disclosure Agreement in the event of any failure of the Borrower, the Dissemination Agent or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article X of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Dissemination Agent shall be entitled to the benefits, protections and provisions thereof to the same extent as the Trustee. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Borrower agrees to indemnify and save the Dissemination Agent and the Trustee and their officers, directors, employees and agents harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys’ fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent’s or Trustee’s respective negligence or willful misconduct. The Dissemination Agent and Trustee shall be paid compensation by the Borrower for its services provided hereunder and all expenses, legal fees and advances made or incurred by the Dissemination Agent hereunder. The Dissemination Agent and Trustee shall have no duty or obligation to review any information provided to it by the Borrower hereunder and shall not be deemed to be acting in a fiduciary capacity for the Borrower, the Holders or Beneficial Owners of the Bonds or any other party. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent or Trustee and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Borrower, the Trustee, the Dissemination Agent, the Participating Underwriters and the Beneficial Owners and Holders of any Bonds and shall create no rights in any other person or entity.

Section 13. Interpretation. It being the intention of the Borrower that there be full and complete compliance with the Rule, this Disclosure Agreement shall be construed in accordance with the written guidance and no-action letters published from time to time by the Securities and Exchange Commission and its staff with respect to the Rule.

Section 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Maryland.

Section 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank]

[Borrower's Signature Page to Disclosure Agreement]

WASHINGTON GARDENS PRESERVATION
ASSOCIATES LIMITED PARTNERSHIP,
a Maryland limited partnership

By: POAH Washington Gardens LLC,
a Massachusetts limited liability company,
its General Partner

By: _____
Amy S. Anthony, Manager

[Trustee's Signature Page to Disclosure Agreement]

MANUFACTURERS AND TRADERS TRUST
COMPANY, as Trustee and Dissemination
Agent

By _____
Its _____

EXHIBIT A

ANNUAL DISCLOSURE REPORT

**Community Development Administration
Maryland Department of Housing and Community Development
Multifamily Development Revenue Bonds
(Washington Gardens)
Series 2005 B**

Report For Period Ending _____

THE PROJECT

Name:

Address:

Occupancy

Number of Units

Number of Units Occupied as of Report Date

Operating History of the Project

The following table sets forth a summary of the operating results of the Project for fiscal year ended _____, as derived from the Borrower's [un]audited financial statements.

Revenues

Operating Expenses ¹

Net Operating Income

Debt Service on the Loan ²

Net Operating Income/(Loss)
After Debt Service

The average occupancy of the Project for the fiscal year ended [____] was [__]%.

¹Excludes depreciation and other non-cash expenses, includes management fee.

²Interest and scheduled principal payments on the Loan during the period indicated.

APPENDIX I

BOOK-ENTRY SYSTEM

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in

beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's 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).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the 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 Administration or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the 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.

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, Bonds certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Administration believes to be reliable, but neither the Administration nor the Underwriter takes responsibility for the accuracy thereof.

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