

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Administration, 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 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," and (ii) interest on the Bonds is treated as a preference item in calculating the alternative minimum tax imposed on individuals or corporations under the Code. In addition, in the opinion of Bond Counsel to the Administration, 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, except that no opinion is expressed with respect to any exemption from Maryland franchise taxes or estate or inheritance taxes. See "TAX MATTERS" herein.*

**\$3,375,000**

**COMMUNITY DEVELOPMENT ADMINISTRATION  
MARYLAND DEPARTMENT OF HOUSING AND  
COMMUNITY DEVELOPMENT  
Variable Rate Demand Multifamily Development Revenue Bonds  
(Charles Landing South Apartments)  
Series 2006 B**

**Dated:** Date of Delivery

**Price:** 100%

**Due:** December 1, 2036

The Community Development Administration (the "Issuer" or the "Administration") has agreed to issue its Variable Rate Demand Multifamily Development Revenue Bonds (Charles Landing South Apartments) Series 2006 B in the original aggregate principal amount of \$3,375,000 (the "Bonds").

The Bonds will bear interest at a Variable Rate until adjusted to a Reset Rate or converted to a Fixed Rate, all as described herein. The Bonds will be issued as and remain as fully registered bonds without coupons, in the minimum denomination of \$100,000 and any integral multiple of \$5,000 in excess thereof during the Variable Period. The Bonds are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). See "THE BONDS - Book-Entry Only System." The principal of, premium, if any, and interest on the Bonds are payable by Manufacturers and Traders Trust Company, as trustee (the "Trustee"), by wire transfer directly to DTC, which will in turn remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds. Interest on the Bonds will be payable on the first Business Day of each month (each an "Interest Payment Date"), commencing January 2, 2007.

The Bonds will be secured pursuant to a Trust Indenture dated as of December 1, 2006 (the "Indenture"), between the Issuer and the Trustee. The Bonds are being issued to provide the Issuer with funds to make a mortgage loan (the "Bond Mortgage Loan") to Hampstead Charles Landing Partners, L.P., a Maryland limited partnership (the "Owner"), pursuant to a Financing Agreement dated as of December 1, 2006 (the "Financing Agreement"), among the Issuer, the Owner, and the Trustee, for the purpose of financing the acquisition, rehabilitation and equipping of a multifamily residential rental housing development located in Indian Head, Charles County, Maryland, described herein.

Payments of principal of and interest on the Bond Mortgage Loan and payments of the Purchase Price of the Bonds will be secured by a direct pay Credit Enhancement Agreement, dated as of December 1, 2006 (the "Credit Enhancement Agreement") between the Trustee and Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States ("Freddie Mac" or the "Credit Facility Provider"),

**FREDDIE MAC**

which will terminate on December 6, 2036 or upon the earlier redemption (or purchase in lieu thereof) of the Bonds or upon substitution of an Alternate Credit Facility under the Indenture as more fully described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The Bonds will be subject to mandatory purchase by the Trustee on any date on which an Alternate Credit Facility is to be exchanged for the Credit Facility then in effect if the conditions of such substitution are satisfied, including the receipt by the Trustee of remarketing proceeds in an amount equal to 100 percent of the Purchase Price of the Bonds.

The Bonds will be subject to redemption prior to the stated maturity date at the prices, on the terms and upon the occurrence of the events described herein. The maturity of the Bonds may be accelerated upon the occurrence of certain events as further described herein. See "SUMMARY OF THE INDENTURE - Events of Default; Acceleration; Remedies." Persons who purchase Bonds at a price in excess of their principal amount risk the loss of any premium paid in the event the Bonds are redeemed prior to maturity. See "THE BONDS" and "CERTAIN BONDHOLDERS' RISKS."

**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.**

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

This Official Statement describes the Bonds only during the initial Variable Period, which is the period beginning on the delivery date of the Bonds and ending on the date on which interest on any series of Bonds is converted to a Reset Rate or to a Fixed Rate. A new Official Statement is required to be used to offer or remarket the Bonds if interest on the Bonds is converted to a Reset Rate or a Fixed Rate.

*The Bonds are offered when, as and if issued subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of validity by Hawkins Delafield & Wood LLP, Washington, D.C., Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for Freddie Mac by its Legal Division and by its special counsel, Ballard Spahr Andrews & Ingersoll LLP, Washington, D.C., for the Owner by its counsel, Nixon Peabody LLP, Washington, D.C., and for the Underwriter by its counsel, Law Offices of Thomas K. Slattery, P.L.L.C., Washington, D.C. It is expected that the Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York on or about December 21, 2006.*

**Ferris, Baker Watts  
Incorporated**

Dated: December 14, 2006

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

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

The Issuer has not provided or approved any information in this Official Statement except with respect to the information under the caption “THE ISSUER” and “NO LITIGATION – The Issuer.” Although this Official Statement contains information from sources believed to be reliable, the Issuer makes no representation as to the contents of this Official Statement other than those referred above, and neither the Issuer nor the Owner makes any representation as to the suitability of the Bonds for any investor, the feasibility or performance of the Project, or compliance with any securities, tax or other laws or regulations. The Issuer’s role is limited to the issuance of the Bonds.

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

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission (the “Commission”) or with any state securities agency. The Bonds have not been approved or disapproved by the Commission or any state securities agency, nor has the Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

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## **OFFICIAL STATEMENT**

**\$3,375,000**

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

#### **VARIABLE RATE DEMAND MULTIFAMILY DEVELOPMENT REVENUE BONDS (CHARLES LANDING SOUTH APARTMENTS) SERIES 2006 B**

### **INTRODUCTION**

The following is a summary of certain information contained in this Official Statement, to which reference should be made for a complete statement thereof. The Bonds are offered to potential investors only by means of the entire Official Statement, including the cover page, this introductory statement and the Appendices hereto. Capitalized terms used but not defined in this Official Statement have the meanings ascribed to them as set forth under "Appendix A - Definitions of Certain Terms."

#### **General**

The Community Development Administration (the "Issuer" or the "Administration") has agreed to issue its Variable Rate Demand Multifamily Development Revenue Bonds (Charles Landing South Apartments) Series 2006 B in the original aggregate principal amount of \$3,375,000 (the "Bonds"). The Bonds are being issued pursuant to Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the "Act").

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to provide information in connection with the issuance and sale by the Issuer of the Bonds. The Bonds will be issued pursuant to a Trust Indenture dated as of December 1, 2006 (the "Indenture"), between the Issuer and Manufacturers and Traders Trust Company as trustee (the "Trustee").

The Issuer will use the proceeds of the Bonds to make a mortgage loan (the "Bond Mortgage Loan") to Hampstead Charles Landing Partners, L.P., a Maryland limited partnership (the "Owner"), to finance the acquisition, rehabilitation and equipping of a multifamily residential rental housing development located in Indian Head, Charles County, Maryland (the "Project"). See "THE OWNER AND THE PROJECT."

The Bond Mortgage Loan will be made pursuant to the Financing Agreement dated as of December 1, 2006 (the "Financing Agreement"), among the Issuer, the Trustee and the Owner, and will be evidenced by a non-recourse Multifamily Note dated December 21, 2006 (together with all riders and addenda thereto) (the "Bond Mortgage Note"), executed by the Owner in favor of the Trustee and secured by a first lien Multifamily Deed of Trust, Assignment of Rents, and Security Agreement dated as of December 21, 2006, (the "Bond Mortgage") executed by the Owner to the Trustee with respect to the Project. Payments on the Bond Mortgage Loan will be made by the Owner to the Servicer for the benefit of the Trustee. The principal amount and payment provisions of the Bond Mortgage Note have been established and structured so that (a) the aggregate principal amount of the Bond Mortgage Note will not be less than the aggregate principal amount of Outstanding Bonds; (b) the interest payable on the Bond Mortgage Note will not be less than the interest payable on the Outstanding Bonds; and (c) the required payments under the Bond Mortgage Note will be timely and sufficient in amount to make the payments due to the Bondholders on the Outstanding Bonds.

On the date of initial issuance of the Bonds (the "Closing Date") the Issuer will assign the Financing Agreement (except for the Issuer's Unassigned Rights) to the Trustee for the benefit of the registered owners of the Bonds. In addition to the other security provided under the Indenture, the required payments under the Bond Mortgage Note will be secured by Guaranteed Payments under a direct pay Credit Enhancement Agreement dated as of December 1, 2006 (the "Credit Enhancement Agreement" or "Credit Facility"), between the Federal Home Loan Mortgage Corporation ("Freddie Mac" or "Credit Facility Provider") and the Trustee. A form of the Credit Enhancement Agreement is attached hereto as Appendix C. The obligation of the Owner to reimburse Freddie Mac for funds provided by Freddie Mac pursuant to the Credit Enhancement Agreement is established by the terms and conditions of a Reimbursement and Security Agreement dated as of December 1, 2006 (the "Reimbursement Agreement") by and between the Owner and Freddie Mac. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - The Credit Enhancement Agreement," "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT" and "APPENDIX C - FORM OF CREDIT ENHANCEMENT AGREEMENT."

Under the Credit Enhancement Agreement, subject to certain requirements set forth therein, on any Interest Payment Date, or any date Bonds are called for optional or mandatory redemption, and on the maturity date of the Bond Mortgage Note, Freddie Mac is required to pay the sum of the Interest Component and the Principal Component of a Guaranteed Payment (as defined herein) and, in the event of a failed remarketing, the Purchase Price on such Bonds. See "THE BONDS," "APPENDIX A - DEFINITIONS OF CERTAIN TERMS" and "APPENDIX C - FORM OF CREDIT ENHANCEMENT AGREEMENT."

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

Pursuant to an Intercreditor Agreement dated as of December 1, 2006 (the "Intercreditor Agreement"), among the Issuer, the Trustee and Freddie Mac with respect to the Bonds, neither the Trustee nor the Bondholders will have the right to exercise remedies under the Bond Mortgage while the Credit Enhancement Agreement secures the Bonds and Freddie Mac continues to honor its obligations thereunder. The Owner will also execute a second-lien Multifamily Deed of Trust, Assignment of Rents, and Security Agreement dated as of December 1, 2006 (the "Reimbursement Mortgage") for the benefit of Freddie Mac to secure its obligations under the Reimbursement Agreement.

**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.**

FREDDIE MAC'S OBLIGATIONS WITH RESPECT TO THE BONDS ARE SOLELY AS PROVIDED IN THE CREDIT ENHANCEMENT AGREEMENT. THE OBLIGATIONS OF FREDDIE MAC UNDER THE CREDIT ENHANCEMENT AGREEMENT WILL BE OBLIGATIONS SOLELY OF FREDDIE MAC, A SHAREHOLDER-OWNED, GOVERNMENT-SPONSORED ENTERPRISE ORGANIZED UNDER THE LAWS OF THE UNITED STATES OF AMERICA. FREDDIE MAC HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE BONDS, BUT WILL BE OBLIGATED, PURSUANT TO THE CREDIT ENHANCEMENT AGREEMENT, TO PROVIDE FUNDS TO THE TRUSTEE TO PAY THE PURCHASE PRICE OF THE BONDS UNDER

THE CIRCUMSTANCES DESCRIBED HEREIN. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, ANY AGENCY THEREOF, OR OF FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC.

The Owner is required to operate the Project in compliance with the Declaration of Restrictive Covenants and Regulatory Agreement dated as of December 1, 2006 (the "Tax Regulatory Agreement"), between the Issuer and the Owner. The Tax Regulatory Agreement contains certain representations, warranties and covenants concerning the operation of the Project. A failure to comply with certain of these requirements of the Tax Regulatory Agreement could result in the loss of the federal tax exemption on the Bonds retroactive to their date of issuance. See "TAX MATTERS" and "SUMMARY OF THE TAX REGULATORY AGREEMENT."

Ferris, Baker Watts, Incorporated (the "Remarketing Agent") has been appointed by the Owner and the Issuer to serve as Remarketing Agent for the Bonds under the terms of a Remarketing Agreement dated as of December 1, 2006 (the "Remarketing Agreement"), between the Owner and the Remarketing Agent. Manufacturers and Traders Trust Company a New York banking corporation, as tender agent (the "Tender Agent"), will perform certain services in connection with the purchase of tendered Bonds.

Brief descriptions of the Issuer, the sources of payment for the Bonds, the Bonds, the Project, the Owner, the Servicer and Freddie Mac and a general summary of the Indenture, the Financing Agreement, the Tax Regulatory Agreement, the Intercreditor Agreement and the Reimbursement Agreement are included in this Official Statement. The form of the Credit Enhancement Agreement is attached as Appendix C. All references herein to the Indenture, the Financing Agreement, the Tax Regulatory Agreement, the Credit Enhancement Agreement, the Intercreditor Agreement, the Reimbursement Agreement and all other documents and agreements are qualified in their entirety by reference to such documents and agreements, and all references to the Bonds are qualified by reference to the form thereof included in the Indenture, copies of which are available for inspection at the principal office of the Trustee.

THIS OFFICIAL STATEMENT, DATED AS OF ITS DATE, IS INTENDED FOR USE WITH RESPECT TO THE BONDS ONLY DURING THE VARIABLE PERIOD, WHICH IS THE PERIOD BEGINNING ON THE DATE OF ORIGINAL ISSUANCE OF THE BONDS AND ENDING ON THE DATE, IF ANY, ON WHICH THE INTEREST RATE ON THE BONDS IS ADJUSTED TO A RESET RATE OR CONVERTED TO A FIXED RATE. A NEW OFFICIAL STATEMENT MUST BE ISSUED IF INTEREST ON ANY SERIES OF THE BONDS IS CONVERTED TO A RESET RATE OR A FIXED RATE.

So long as the Bonds bear interest at a Variable Rate as described herein, the Owner will be under no obligation to provide continuing disclosure or provide notice of certain events relating to Project operations. See "CONTINUING DISCLOSURE."

The Tax Regulatory Agreement, the Financing Agreement, the Credit Enhancement Agreement, the Reimbursement Agreement, and certain certificates required by such documents for the Bonds are sometimes referred to herein collectively as the "Bond Mortgage Loan Documents."

### **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 Investor Relations at (410) 514-7326 or [cda\\_bonds@mdhousing.org](mailto:cda_bonds@mdhousing.org).

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

The Administration has no obligation to review, control or oversee the activities of the Trustee or the Owner 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 ISSUER ASSUMES NO RESPONSIBILITY FOR THE ACCURACY, SUFFICIENCY OF DISCLOSURES OR COMPLETENESS OF SUCH INFORMATION OR ANY OTHER INFORMATION PROVIDED BY THE OWNER OR ANY OTHER PERSON.

## **THE BONDS**

### **General**

The Bonds are issued in fully registered form and are registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC acts as securities depository for the Bonds. Individual purchases are made in book-entry-only form. Purchasers will not receive certificates representing their interest in the Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders or registered owners of the Bonds shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, all payments of the principal, or the redemption price of or interest on the Bonds are payable by the Trustee in same-day funds, to Cede & Co., as nominee for DTC. DTC will, in turn, remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the beneficial owners. See "THE BONDS - Book-Entry-Only System."

The Bonds will be issued in the minimum denomination of \$100,000 and any integral multiple of \$5,000 in excess thereof. The Bonds will be dated the Delivery Date and will mature on the date set forth on the cover page of this Official Statement. The Bonds delivered on the Delivery Date shall bear interest at the Initial Rate, computed on the basis of a 365-day or 366-day year, for the actual number of days elapsed from and including the Delivery Date to and including December 27, 2006; and thereafter will

bear interest at a Variable Rate of interest until the first Reset Adjustment Date, if any, or until the Conversion Date, if any. See “Variable Rate for Bonds” below.

Interest on the Bonds will be payable on the applicable Variable Rate Adjustment Date and the first Business Day of each month thereafter (the “Interest Payment Date”), commencing January 2, 2007. So long as the Bonds bear interest at the Variable Rate interest shall be computed on the basis of a 365-day or 366-day year for the actual number of days elapsed.

Principal of and premium, if any, on the Bonds will be payable upon presentation and surrender thereof at the principal corporate trust office of the Trustee. Interest on the Bonds will be payable by check mailed on the Interest Payment Date by first-class mail on the date such interest is due to the person whose name appears on the registration books of the Issuer kept by the Bond Registrar on the Record Date, provided that, upon written request of a registered owner of at least \$1,000,000 aggregate principal amount of Bonds received by the Trustee at least five days prior to a Record Date, payment shall be made to such owner by wire transfer pursuant to the provisions of the Indenture.

Any Bond may be transferred only upon an assignment duly executed by the registered owner or his or her duly authorized representative in such form as shall be satisfactory to the Bond Registrar and upon surrender of such Bond to the Trustee for cancellation. Any Bond may be exchanged at the Principal Office of the Trustee for a new fully registered Bond or Bonds, of the same maturity and of any authorized denomination or denominations, for the aggregate amount of such Bond then Outstanding. In all cases in which Bonds shall be transferred or exchanged, the Trustee may make a charge for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange. Neither the Issuer nor the Trustee shall be required to transfer or exchange Bonds during the period of 15 days immediately preceding an Interest Payment Date or during the period of 15 days immediately preceding the selection of Bonds for redemption and after the giving of notice of redemption, the Trustee is not required to transfer or exchange any Bond or portion thereof which has been called for redemption.

### **Variable Rate for the Bonds**

The Bonds delivered on the Delivery Date shall bear interest at the Initial Rate, computed on the basis of a 365-day or 366-day year, for the actual number of days elapsed from and including the Delivery Date to and including December 27, 2006, and thereafter will bear interest at a Variable Rate until converted to a Reset Rate or to a Fixed Rate as provided in the Indenture. Following any Reset Adjustment Date, the interest rate on the Bonds may be converted again to a Variable Rate at the election or deemed election of the Owner in accordance with the Indenture, which date of conversion to a Variable Rate shall be the Variable Rate Adjustment Date. The Variable Rate of interest borne by the Bonds during each Variable Period for each Variable Interest Accrual Period shall be the Variable Rate determined by the Remarketing Agent and reported to the Trustee, the Tender Agent, the Owner and the Credit Facility Provider as provided in the Indenture on the Variable Interest Computation Date for such Variable Interest Accrual Period. Any Bondholder may obtain information on the Variable Rate by request to the Trustee.

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

Computation Date, then the Variable Rate shall be the BMA Index Rate published on each Variable Interest Computation Date until the Remarketing Agent determines the Variable Rate as described above.

The determination of the Variable Rate by the Remarketing Agent or as otherwise provided above will (in the absence of manifest error) be conclusive and binding on the holders of the Bonds, the Issuer, the Owner, the Credit Facility Provider, the Remarketing Agent, the Tender Agent and the Trustee, and each shall be protected in relying on it.

### **Book-Entry Only System**

*The information in this section concerning The Depository Trust Company (“DTC”) and DTC’s Book-Entry System has been obtained from DTC. None of the Issuer, Freddie Mac or the Owner makes any representation or warranty or take any responsibility for the accuracy or completeness of such information.*

The Bonds will be available in book-entry form only. Purchasers of the Bonds will not receive certificates from the Issuer or the Trustee representing their interests in the Bonds purchased.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

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

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

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

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

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

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

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

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

THE ABOVE INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE ISSUER BELIEVES TO BE RELIABLE, BUT THE ISSUER AND TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THE ISSUER, THE TRUSTEE, NOR THE REMARKETING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (ii) THE PAYMENT BY DTC OR BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION OR PURCHASE PRICE OF, INTEREST ON, ANY BONDS; (iii) THE DELIVERY OF ANY NOTICE BY DTC OR ANY PARTICIPANT; (iv) THE SELECTION OF THE PARTICIPANTS OR THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (v) ANY CONSENT GIVEN OR ANY OTHER ACTION TAKEN BY DTC OR ANY PARTICIPANT.

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

### **Demand for and Mandatory Purchase of the Bonds**

Any Bonds (other than Purchased Bonds), or any units of principal amount thereof in Authorized Denominations, will be purchased from the proceeds of remarketing thereof as described in the Indenture or from the sources prescribed in the Indenture, (a) on demand of the owner of such Bond (or, so long as Bonds are in "book-entry only" form, demand of a DTC Participant, with respect to such Bonds) on any Business Day during a Variable Period, or (b) upon being tendered or deemed tendered pursuant to the Indenture, on any Reset Adjustment Date, Variable Rate Adjustment Date, the Conversion Date and any Substitution Date (even if such Reset Adjustment Date, Variable Rate Adjustment Date, Conversion Date or Substitution Date for which notice has been given by the Trustee to the Bondholders fails to occur). The Bonds will be purchased for a Purchase Price equal to the principal amount thereof, or of any units thereof purchased in Authorized Denominations, plus interest accrued thereon, if any, to the Settlement Date. The Bonds will be purchased upon (a) in the case of a purchase upon the demand of an owner or DTC Participant, delivery to the Tender Agent, with a copy to the Trustee and the Remarketing Agent, of

a written notice in the form set forth in the Indenture (a “Tender Notice”) which states (i) the principal amount of such Bond for which payment is demanded, (ii) that such demand is irrevocable and (iii) the date on which such Bond or units of principal amount thereof in Authorized Denominations shall be purchased pursuant to the Indenture, which date shall be a Business Day not prior to the seventh day next succeeding the date of the receipt of the Tender Notice by the Tender Agent; and (b) in all cases, delivery of such Bond (with an appropriate transfer of registration form executed in blank and in form satisfactory to the Tender Agent) to the Tender Agent, at or prior to 9:30 a.m., Washington, D.C. time, on the Settlement Date. In the event that a depository is appointed pursuant to the Indenture and a “book-entry only” system is in effect with respect to the Bonds, delivery of Bonds for purchase on the Settlement Date may be effected in the manner set forth by such depository.

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

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

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

Anything in the Indenture to the contrary notwithstanding, no Bonds will be purchased or remarketed pursuant to the Indenture (a) if an Event of Default under the Indenture (other than an Event of Default under paragraph (c) under “SUMMARY OF THE INDENTURE - Events of Default; Acceleration; Remedies” below) has occurred and is continuing and would not be cured as a result of such tender and remarketing of the Bonds, or (b) following a declaration of acceleration of the Bonds; nor will any Bond be purchased pursuant to the Indenture if such Bond is registered in the name of the Issuer, the Owner or the Credit Facility Provider, or known by the Trustee to be registered in the name of any general partner or guarantor of the Owner or any nominee of the Issuer, the Owner, the Credit Facility Provider or any such general partner or guarantor (provided that the Trustee shall have no duty to inquire as to any such nominees) unless the Credit Facility will be in full force and effect with respect to such bonds after such purchase.

#### **Purchase of Bonds Not Remarketed**

In the event that the Tender Agent has not received notice of successful remarketing of tendered Bonds by the day which is one Business Day prior to the Settlement Date, or the proceeds of remarketing of any tendered Bond have not been received by the Tender Agent on or prior to 10:00 a.m., Washington, D.C. time, on the Settlement Date, the Trustee will, within the time required by the terms of the Credit Facility, draw on the then existing Credit Facility in an amount sufficient to enable the Tender Agent to pay the Purchase Price of each such Bond. On the Settlement Date, the Trustee will pay or cause to be paid to the Tender Agent the Purchase Price of any Bonds for which it has received a Tender Notice and which have not been remarketed pursuant to the Indenture, but only from (a) moneys obtained by the Trustee pursuant to the Credit Facility then in effect to enable the Trustee to pay the Purchase Price of such tendered Bonds, which amounts shall be transferred by the Trustee to the Tender Agent at or before 3:00 p.m., Washington, D.C. time, on the Settlement Date; and (b) Eligible Funds from the Owner to the extent that moneys obtained pursuant to (a) above are insufficient on any date to pay the Purchase Price of tendered Bonds.

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

### **Mandatory Tender of the Bonds**

The Bonds are subject to mandatory tender for purchase on any Reset Adjustment Date, Variable Rate Adjustment Date, Conversion Date and Substitution Date in accordance with the Indenture.

Any Bond required to be tendered which is not tendered as of such date shall be deemed to have been tendered to the Tender Agent on such date and shall thereafter cease to bear interest and no longer be considered to be Outstanding hereunder.

### **Optional Redemption of the Bonds**

During the Variable Period, with the prior written consent of the Credit Facility Provider, the Bonds are subject to optional redemption, in whole or in part upon optional prepayments on the Bond Mortgage Loan in accordance with the prepayment restrictions set forth in the Bond Mortgage Note and the Financing Agreement, from payments on the Credit Facility (subject to the limitations set forth in the Indenture), or from other Eligible Funds deposited with the Trustee, on any Interest Payment Date, at a redemption price of 100 percent of the principal amount thereof, plus accrued interest thereon to the redemption date.

The Trustee shall effect a redemption of Bonds pursuant to the Indenture not later than 35 days following its receipt of moneys representing an optional prepayment of the Bond Mortgage Loan.

### **Mandatory Redemption**

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

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

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

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

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

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

(vi) in whole, on the day following any Reset Period if the Trustee has not received the items required by the Indenture to effect a new Variable Period, Reset Period or a Conversion or upon cancellation of a rate adjustment on a Reset Adjustment Date or upon cancellation of a conversion to a Fixed Rate; or

(vii) in part, at the written direction of the Credit Facility Provider in the amount of any Loan Equalization Payment if rehabilitation and stabilization of the Project does not occur by the Required Completion Date;

(viii) in part, on any Interest Payment Date, to the extent of any excess moneys remaining in the Bond Mortgage Loan Fund following rehabilitation and stabilization of the Project (as evidenced by a written notice delivered to the Trustee by the Servicer or Freddie Mac) in accordance with the Indenture; and

(ix) in part, on the first day of each month during a Variable Rate Period in an amount equal to the amount by which all amounts on deposit in the Principal Reserve Fund exceed the Principal Reserve Requirement (rounded downward to the nearest integral multiple of \$100,000).

### **Notice of Redemption**

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

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

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

Notice of such redemption shall also be sent by certified mail, overnight delivery service, facsimile transmission or other secure means, postage prepaid, to the Credit Facility Provider, the Rating Agency, all Securities Depositories and at least two of the national Information Services that disseminate securities redemption notices, when possible, at least five days prior to the mailing of notices required by the first paragraph above, and in any event no later than simultaneously with the mailing of notices required by the first paragraph above; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds.

In addition to providing notice of redemption as set forth above, the Trustee shall send a second notice of redemption within 60 days following the redemption date, by certified mail, overnight delivery service, or other secure means, postage prepaid to the registered owners of any Bonds called for redemption, at their addresses appearing on the Bond Register, who have not surrendered their Bonds for redemption within 30 days following the redemption date.

Failure to give notice to the registered owner of any Bond designated for redemption or tender or to any depository or information service shall not affect the validity of the proceedings for the redemption of any other Bond if notice of such redemption with respect to such Bond shall have been given as provided in the Indenture.

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

Notwithstanding anything in the Indenture to the contrary, at any time during which the Bonds are subject to redemption in whole pursuant to the provisions of the Indenture, all (but not less than all) of the Bonds to be redeemed may be purchased by the Trustee (for the account of the Owner or the Credit Facility Provider or their respective designees, as directed by such party) on the date which would be the redemption date at the written direction of the Credit Facility Provider or the Owner, with the prior written consent of the Credit Facility Provider, which shall give the Trustee at least one Business Day's notice prior to such redemption date, at a purchase price equal to the redemption price which would have been applicable to such Bonds on the redemption date. The Bonds shall be purchased in lieu of redemption only from amounts provided by the Credit Facility Provider or from other Eligible Funds. In the event the Trustee is so directed to purchase Bonds in lieu of redemption, no notice to the holders of the Bonds to be so purchased (other than the notice of redemption otherwise required under the Indenture)

shall be required, and the Trustee shall be authorized to apply to such purpose the funds in the Redemption Fund which would have been used to pay the redemption price for such Bonds if such Bonds had been redeemed rather than purchased. Such Bonds so purchased for the account of the Owner shall for all purposes under the Indenture constitute Purchased Bonds held by the Custodian pursuant to the Pledge Agreement and may be remarketed by the Remarketing Agent in accordance with the provisions of the Indenture.

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

### **Trust Estate**

Under the Indenture, the Issuer grants to the Trustee a security interest in the following property described below in (a) through (c) to secure the Bonds (said property being herein referred to as the “Trust Estate”) in order to secure the payment of principal of, premium, if any, and interest on the Bonds according to their tenor and effect, the payment to Freddie Mac of the Freddie Mac Reimbursement Amount and the Freddie Mac Credit Enhancement Fee in accordance with the provisions thereof and of the Credit Enhancement Agreement and Reimbursement Agreement, or the payment of amounts due and owing to any other Credit Facility Provider following termination of the Credit Enhancement Agreement, and the performance and observance by the Issuer of all the covenants expressed or implied in the Indenture and in the Bonds:

(a) all right, title and interest of the Issuer in and to all Revenues;

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

(c) excluding moneys or securities in the Cost of Issuance Fund, the Principal Reserve Fund, the Rebate Fund and the Bond Purchase Fund, all funds, money and securities and any and all other rights and interests in property whether tangible or intangible from time to time hereafter by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture for the Bonds by the Issuer or by anyone on its behalf or with its written consent to the Trustee.

### **Limited Obligations**

**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.**

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

### **The Credit Enhancement Agreement**

To provide the primary security for the Bonds, Freddie Mac will enter into the Credit Enhancement Agreement with the Trustee. See “FREDDIE MAC” and “APPENDIX C - FORM OF CREDIT ENHANCEMENT AGREEMENT.” Pursuant to the Credit Enhancement Agreement, Freddie Mac is required to pay Guaranteed Payments with respect to the Bond Mortgage Loan relating to the Bonds when and in the amounts due, and the Purchase Price of the Bonds in accordance with the terms of the Indenture and Credit Enhancement Agreement. See “APPENDIX A - DEFINITIONS OF CERTAIN TERMS” for a definition of “Guaranteed Payment.”

### **Alternate Credit Facility**

With respect to the Bonds, with the prior written confirmation of the Credit Facility Provider that the provisions of the Reimbursement Agreement have been satisfied (but without the consent of Bondholders), the Owner may, on any Interest Payment Date during the Variable Period (but no later than 17 days prior to the expiration date of the Credit Facility unless a commitment to extend the existing Credit Facility has been delivered to the Trustee satisfying the requirements of the Indenture, if applicable), arrange for the delivery to the Trustee of an Alternate Credit Facility in substitution for the Credit Facility then in effect (referred to in this section as “credit support”) and, if applicable, for payment of the Purchase Price of Bonds delivered or deemed delivered in accordance with the Indenture (referred to in this section as “liquidity support”). In addition, without the consent of the Owner (and without the consent of the Bondholders), the Credit Facility Provider may provide any other form of credit support or liquidity support (or combination thereof) issued by the Credit Facility Provider in substitution for the Credit Enhancement Agreement (or any successor Credit Facility) if (i) the conditions of the Indenture regarding amendments to the Credit Enhancement Agreement are satisfied or (ii)(A) the Rating Agency confirms in writing that such substitution will not adversely affect the rating of the Bonds, (B) the Credit Facility Provider delivers to the Issuer and the Trustee an opinion of counsel satisfying the requirements of paragraph (c) of this section and (C) such substitute credit support or liquidity support (or combination thereof) does not increase the amounts required to be paid by, or other obligations of, the Owner. Any Alternate Credit Facility shall satisfy the following conditions, as applicable:

- (a) An Alternate Credit Facility may be issued to provide only credit support or only liquidity support so long as a separate Credit Facility provides, at all times while such Alternate Credit Facility is in effect, complementary credit support or liquidity support, as the case may be, so that at all times while any of the Bonds bear interest at the Variable Rate such Bonds shall be entitled to credit support and to the liquidity support required by such mode; provided that in no event shall Freddie Mac be obligated to provide only liquidity or credit support if any Person other than Freddie Mac provides either liquidity or credit support. Notwithstanding the foregoing, prior to the commencement of the Fixed Rate Period, the Issuer may, in its sole discretion, waive the requirement that a Credit Facility be provided during such Fixed Rate Period.

(b) The Alternate Credit Facility shall (i) be in an amount equal to the aggregate principal amount of the Bonds Outstanding from time to time plus the Interest Requirement (as defined in the Indenture) or otherwise provide coverage satisfactory to the rating agency; (ii) provide for payment in immediately available funds to the Trustee upon receipt of the Trustee's request for such payment with respect to any Interest Payment Date, purchase date (if applicable) or extraordinary mandatory redemption date pursuant to the Indenture; (iii) if the Alternate Credit Facility is provided to secure Bonds during a Reset Period, provide an expiration date no earlier than the earliest of (A) the day following the Reset Adjustment Date immediately succeeding the Reset Period; (B) 10 days after the Trustee receives notice from the Credit Facility Provider of an Event of Default hereunder or a default under and as defined in the Reimbursement Agreement and a direction to redeem all Outstanding Bonds; (C) the date on which all Bonds are paid in full and the Indenture is discharged in accordance with its terms; and (D) the date on which the Bonds become secured by an Alternate Credit Facility in accordance with the terms of the Indenture and the Reimbursement Agreement; (iv) unless waived by the Issuer in its sole discretion, result in the Bonds receiving a long-term rating or short-term rating, or both, as applicable for the mode then in effect, in one of the two highest rating categories of the Rating Agency without regard to pluses or minuses; and (v) have a stated expiration or termination date not sooner than one year following its effective date.

(c) In connection with the delivery of an Alternate Credit Facility, the Trustee must receive (i) an opinion of counsel to the Credit Facility Provider issuing the Alternate Credit Facility, in form and substance satisfactory to the Issuer and the Trustee, relating to the due authorization and issuance of the Alternate Credit Facility, its enforceability, that the statements made relating to the Alternate Credit Facility and Reimbursement Agreement contained in any disclosure document related to the Bonds are true and correct, that the Credit Facility is not required to be registered under the Securities Act of 1933, as amended (unless waived by the Issuer with the consent of the Remarketing Agent), and, if applicable, that payments made by the Credit Facility Provider pursuant to the Credit Facility will not be voidable under Section 547 of the Bankruptcy Code and would not be prevented by the automatic stay provisions of Section 362(a) of the Bankruptcy Code, in the context of a case or proceeding by or against the Owner, a general partner of the Owner or by the Issuer under the Bankruptcy Code; (ii) an opinion of Bond Counsel to the effect that the substitution of such Alternate Credit Facility will not adversely affect the exclusion from gross income, for federal income tax purposes, of the interest payable on the Bonds; and (iii) the delivery of a continuing disclosure agreement, if required by the Financing Agreement.

The Trustee shall give notice to the owners of the Bonds, by first-class mail not less than nine days before the Substitution Date stating: (i) the Substitution Date and (ii) all Bonds must be surrendered to the Tender Agent for purchase not later than 9:30 a.m., Washington, D.C. time, on the Substitution Date.

## ESTIMATED SOURCES AND USES OF FUNDS

The sources of funds and the uses thereof in connection with the issuance of the Bonds are expected to be approximately as set forth below:

|                                    |                    |
|------------------------------------|--------------------|
| Sources                            |                    |
| Bond Proceeds                      | <u>\$3,375,000</u> |
| <b>Total Sources</b>               | <b>\$3,375,000</b> |
| Uses                               |                    |
| Deposit to Bond Mortgage Loan Fund | \$3,310,875        |
| Deposit to Cost of Issuance Fund   | <u>64,125</u>      |
| <b>Total Uses</b>                  | <b>\$3,375,000</b> |

## FREDDIE MAC

*The information presented under this caption "FREDDIE MAC" has been supplied by Freddie Mac. None of the Issuer, the Trustee, or the Owner has independently verified such information, and none assumes responsibility for the accuracy of such information.*

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

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

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") established Freddie Mac's eighteen-member Board of Directors (the "Board"). Thirteen members of the Board are elected by the holders of Freddie Mac's common stock, and the remaining five are appointed by the President of the United States. Freddie Mac is subject to regulation by three agencies of the federal government. The Department of Housing and Urban Development ("HUD") has responsibility for overseeing Freddie Mac's fulfillment of its statutory mission, including facilitating the financing of affordable housing in certain geographic areas and among certain income segments. In addition, the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 created a separate office within

HUD, known as the Office of Federal Housing Enterprise Oversight (“OFHEO”), to monitor the adequate capitalization and safe operation of Freddie Mac. The director of OFHEO is appointed by the President of the United States and confirmed by the Senate for a five-year term. Finally, the Secretary of the Treasury must approve the issuance of (including the interest rates of and maturities on) all notes, debentures and substantially identical types of unsecured debt obligations of Freddie Mac, as well as the issuance of types of mortgage-related securities not issued prior to FIRREA.

Freddie Mac prepares an annual Information Statement that describes Freddie Mac, its business and operations, and contains Freddie Mac’s audited financial statements. On a quarterly basis, and from time to time, as necessary, Freddie Mac also prepares Information Statement Supplements that include unaudited financial data and other information concerning its business and operations. In addition, Freddie Mac periodically, as necessary, issues press releases regarding its business and operations. Interested persons can obtain the most recent Information Statements and Information Statement Supplements at <http://www.freddiemac.com/investors/reports.html>, and may obtain the most recent press releases regarding Freddie Mac at <http://www.freddiemac.com/investors/news>. Freddie Mac makes no representations as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility of performance of any project, or compliance with any securities, tax or other laws or regulations. Freddie Mac’s role is limited to discharging its obligations under the Credit Enhancement Agreement.

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

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

The obligations of the Owner to Freddie Mac under the Credit Enhancement Agreement are evidenced by the Reimbursement Agreement. The following is a brief summary of the Reimbursement Agreement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full text of the Reimbursement Agreement, a copy of which is on file with the Trustee.

Under the Reimbursement Agreement, the Owner has promised to repay Freddie Mac all sums of money Freddie Mac has advanced to the Trustee for the Guaranteed Payments made on the Bond Mortgage Loan as well as any payments made for Purchased Bonds upon a failed remarketing. The Reimbursement Agreement also provides that the Owner will pay the Freddie Mac Credit Enhancement Fee, the Ordinary Servicing Fees and Expenses and other fees and expenses as provided therein.

Under the provisions of the Reimbursement Agreement, Freddie Mac may declare an Event of Default if:

- (a) the Owner fails to pay any amounts due under the Reimbursement Agreement, including, without limitation, any fees, costs or expenses;

(b) the Owner fails to observe or perform any of the terms, covenants, conditions or agreements set forth in the Reimbursement Agreement or in any of the other Owner Documents, taking into account any applicable cure period;

(c) an Event of Default occurs under the Reimbursement Mortgage or any of the other Owner Documents referred to in the Reimbursement Agreement;

(d) any representation or warranty made by or on behalf of the Owner under the Reimbursement Agreement or any of the other Owner Documents or in any certificate delivered by the Owner to Freddie Mac or the Servicer pursuant to the Reimbursement Agreement or any other Owner Document referred to in the Reimbursement Agreement was inaccurate or incorrect in any material respect when made or deemed made;

(e) Purchased Bonds have not been remarketed as of the ninetieth day following purchase by the Trustee on behalf of the Owner and the Owner has not reimbursed Freddie Mac for the amount advanced to purchase the Purchased Bonds, together with any fees due under the Reimbursement Agreement;

(f) a Reset Period expires and the Owner has not either received the prior written consent of Freddie Mac to a change in interest mode or the maintenance of the existing mode or delivered in Alternate Credit Facility; or

(g) any default or event of default occurs, after the expiration of any applicable cure period under the terms of any subordinate debt with respect to the Project.

Upon an Event of Default, Freddie Mac may declare all the obligations of the Owner under the Reimbursement Agreement to be immediately due and payable, in which case all such obligations shall become due and payable, without presentment, demand, protest or notice of any kind, including notice of default, notice of intent to accelerate or notice of acceleration. In addition to the foregoing, Freddie Mac may take any other action at law or equity without notice or demand, as it deems advisable, to protect and enforce its rights against the Owner in the Project, including foreclosing against the Project subject to the Bond Mortgage. If Freddie Mac elects to foreclose against the Project, it has the option to keep the Bonds outstanding or cause a redemption of the Bonds.

Freddie Mac shall have the right, to be exercised in its discretion, to waive any Event of Default under the Reimbursement Agreement. Unless such waiver expressly provides to the contrary, any waiver so granted shall extend only to the specific event or occurrence and not to any other similar event or occurrence which occurs subsequent to the date of such waiver.

The obligations of the Owner under the Reimbursement Agreement will be secured by the Reimbursement Mortgage and certain rights of subrogation to the rights of the Bondholders. The Reimbursement Mortgage will be subordinate to the Bond Mortgage, subject to the terms of the Intercreditor Agreement. Bondholders will have no rights under and are not third-party beneficiaries under the Reimbursement Mortgage.

## **THE OWNER AND THE PROJECT**

*The following information concerning the Owner and the Project has been provided by the Owner and has not been independently confirmed or verified by the Issuer, the Trustee or Freddie Mac. Although the information shown below has been obtained from sources believed to be reliable, no representation is made herein by the Issuer, the Trustee, or Freddie Mac as to the accuracy or adequacy*

*of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. The Issuer has not independently reviewed the financial feasibility of the Project and makes no representation, direct or indirect, that the Project will be able to generate sufficient income to pay debt service on the Bonds and operating expenses.*

## **The Owner**

The Owner is a limited partnership formed in accordance with the laws of the State of Maryland. The purpose of the Owner is limited to owning, developing, leasing and selling the Project.

Three entities currently have an interest in the Owner, Hampstead Partners, Hampstead Development Group, and Charter Mac Capital. Hampstead Partners and Hampstead Development Group will compose the General Partner LLC, while an affiliate of Charter Mac will be the tax credit syndicator limited partner.

The General Partner will supervise the entire Project team. Hampstead Partners, Inc (“HP”) will act as managing member of the general partner and lead developer. HP has extensive experience with and specializes in repositioning older assisted properties nationwide (including in the state of Maryland).

Nastos Construction Co., is responsible for the construction of the Project. Nastos Construction and Hampstead Partners have had a successful relationship rehabilitating over 50 units in the State of Maryland.

Edgewood Management Corp., will be responsible for the management of the building. Edgewood has managed HUD-subsidized projects since 1973 and currently manages forty-nine HUD-subsidized properties totaling 7,729 units. Their total portfolio includes 119 properties and 17,700 units.

## **The Project**

The Project is a rehabilitation of an existing 60 unit multifamily apartment complex. The Project is located in the town of Indian Head in Charles County, Maryland, which is approx. 45 minutes from Washington, D.C. The Project will be a multifamily residential facility, with 100% of the units reserved as low-income housing (residents earning 50% or less of the Area Median Income). 100% of the units are covered under a project based Section 8 contract.

The Project consists of 13 buildings totaling 53,348 square feet. The Project is situated just outside the downtown area of Indian Head on 41 Jameson Court, adjacent to a single family neighborhood. The complex will retain the existing unit mix and the current layouts of all 60 apartments.

The Project consists of two-bedroom and three-bedroom townhouses. The units will feature spacious layouts, cable and high-speed data/internet access, fully applianced kitchens with range, disposal, range hood, and refrigerators. The units have patios and outdoor storage sheds, which are to be updated. The community’s amenities will include a 800 square foot community/club room, a tot lot, a picnic area, adequate parking, and an on-site management office.

Rehabilitation of the Project will commence in January 2007 and is expected to be completed no later than December 2007.

## **THE SERVICER**

Charter Mac Mortgage Partners Corp. (the “Servicer”) will perform mortgage servicing functions with respect to the Bond Mortgage Loan on behalf of and in accordance with Freddie Mac requirements. The servicing arrangements between Freddie Mac and the Servicer for servicing the Bond Mortgage Loan are solely between Freddie Mac and the Servicer and neither the Issuer nor the Trustee is deemed to be a party thereto or has any claim, right, obligation, duty or liability with respect to the servicing of the Bond Mortgage Loan.

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

## **CERTAIN BONDHOLDERS’ RISKS**

*The purchase of the Bonds will involve a number of risks. The following is a summary, which does not purport to be comprehensive or definitive, of some of such risk factors.*

### **No Owner Personal Liability**

The Owner has not been nor will it be (subject to certain exceptions to non-recourse liability for the benefit of Freddie Mac set forth in the Financing Agreement and the mortgage instruments) personally liable for payments on the Bond Mortgage Loan, nor will the Owner be (subject to certain exceptions to non-recourse liability set forth in the Bond Mortgage and subject to certain exceptions to non-recourse liability set forth in the Financing Agreement with respect to the Issuer and the payment of the rebate amount) personally liable under the other documents executed in connection with the Bonds and the making of such Bond Mortgage Loan. All payments on the Bond Mortgage Loan are expected to be derived from revenues generated by the Project.

### **Credit Facility; Primary Security**

While the Bonds bear interest at the Variable Rate, owners of the Bonds may tender their Bonds for purchase at any time upon seven days’ notice. See “THE BONDS - Demand for and Mandatory Purchase of the Bonds.” It is therefore expected that, during any Variable Period, the primary security for the Bonds will be the Credit Enhancement Agreement delivered by Freddie Mac to the Trustee in order to pay the principal, interest and purchase price for the Bonds. See “- Enforceability and Bankruptcy” below. Based on this expectation, no financial information as to the creditworthiness of the Owner or the value of the Project is included herein.

It is possible, in the event of the insolvency of the Credit Facility Provider, or the occurrence of some other event precluding the Credit Facility Provider from honoring its obligations to make payments as stated in the Credit Facility, that the financial resources of the Owner will be the only source of payment on the Bonds. There can be no assurance that the financial resources of the Owner would be sufficient to pay the principal, premium if any, and interest on the Bonds in the event the Trustee were

forced to seek recourse against the Owner. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

### **Limited Security**

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

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

THE BONDS ARE NOT SUBJECT TO ACCELERATION OR REDEMPTION (UNLESS FREDDIE MAC SHALL CAUSE, IN ITS SOLE DISCRETION, SUCH ACCELERATION OR REDEMPTION), AND THE RATE OF INTEREST ON THE BONDS IS NOT SUBJECT TO RETROACTIVE ADJUSTMENT, BY REASON OF THE INTEREST ON THE BONDS BEING INCLUDED IN GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION. Such event could occur if the Owner (or any subsequent owner of the Project) does not comply with the provisions of the Financing Agreement and the Tax Regulatory Agreement, which are designed, if complied with, to satisfy the continuing compliance requirements the Internal Revenue Code of 1986, as amended (the “1986 Code”), in order for the interest on the Bonds to be excludable from gross income for purposes of federal income tax. Under such circumstances, interest on the Bonds might become subject to federal income taxation retroactive to the date of issuance or some other subsequent date.

### **Early Redemption**

Purchasers of Bonds, including those who purchase Bonds at a price in excess of their principal amount or who hold such a Bond trading at a price in excess of par, should consider the fact that the Bonds are subject to redemption at a redemption price equal to their principal amount plus accrued interest in the event such Bonds are redeemed prior to maturity. This could occur, for example, in the event that the Bond Mortgage Loan is prepaid as a result of a casualty or condemnation award payments affecting the Project or there is a default under the Bond Mortgage. See “THE BONDS - Mandatory Redemption.”

### **Economic Feasibility**

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

### **Competing Facilities**

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

### **Enforceability and Bankruptcy**

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

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

### **Normal Risks**

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

### **Environmental Matters**

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

### **Management of the Project**

The successful operation of the Project will depend, to a large extent, upon the management services provided by the manager of the Project and upon the ability of the Owner to lease the units, keeping the Project substantially occupied through the term of the Bonds. There is no assurance that the manager will operate the Project on a profitable basis. There can be no assurance that the Project will be operated in a manner which will provide sufficient moneys to pay principal and interest on the Bonds and to operate and maintain the Project. See "THE OWNER AND THE PROJECT."

### **Effect of Increases in Operating Expenses**

It is impossible to predict future increases in operating expenses. Substantial increases in operating expenses will affect future net operating income of the Project and the ability of the Owner to meet its debt service obligations, primarily, its reimbursement obligations to the Credit Facility Provider.

## **SUMMARY OF THE INDENTURE**

*The Bonds will be issued pursuant to, and secured by, the Indenture. The following is a brief summary of certain provisions of the Indenture pursuant to which the Bonds will be issued. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Indenture, copies of which are on file with the Trustee.*

## **Establishment of Funds**

The Indenture establishes the following funds:

- (1) Revenue Fund, and within the Revenue Fund a General Account and a Credit Facility Account;
- (2) Bond Fund and within the Bond Fund a Purchased Bonds Account;
- (3) Redemption Fund;
- (4) Administration Fund;
- (5) Cost of Issuance Fund;
- (6) Principal Reserve Fund; and
- (7) Rebate Fund.

## **Revenue Fund**

There will be deposited in the Credit Facility Account of the Revenue Fund all amounts paid pursuant to the Credit Facility. Principal Reserve Schedule Payments shall be deposited directly to the Principal Reserve Fund as provided in the Indenture. All Revenues (other than amounts paid under the Credit Facility or received as Principal Reserve Schedule Payments) will be deposited by the Trustee, promptly upon receipt thereof, to the General Account of the Revenue Fund, except (a) the proceeds of the Bonds received by the Trustee on the Delivery Date, (b) certain deposits to the Redemption Fund as described below, (c) the Bond Fee Component will be deposited to the Administration Fund, (d) as otherwise specifically provided in the Indenture with respect to deficiencies in the Administration Fund; (e) investment earnings, to the extent required to be retained in the funds and accounts to which they are attributable, (f) certain deposits into the Principal Reserve Fund, and (g) amounts otherwise required to be transferred between funds and accounts pursuant to applicable provisions of the Indenture.

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

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

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

THIRD, to the Redemption Fund from moneys in the Credit Facility Account (i) amounts paid to the Trustee under the Credit Facility to be applied to the mandatory redemption of all or a portion of the Bonds as described herein under the caption "THE BONDS - Mandatory Redemption"

(other than a mandatory sinking fund redemption); and (ii) amounts paid to the Trustee pursuant to the Credit Facility to be applied to the optional redemption of all or a portion of the Bonds as described herein under the caption “THE BONDS - Optional Redemption of the Bonds”; and

FOURTH, to the Purchased Bonds Account in the Bond Fund from moneys in the General Account, an amount equal to the interest due on the Purchased Bonds on such Interest Payment Date.

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

Immediately upon receipt, the Trustee shall deposit directly to the Principal Reserve Fund all Principal Reserve Schedule Payments received from the Servicer or the Owner.

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

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

## **Bond Fund**

The Trustee will charge the Bond Fund, on each Interest Payment Date, an amount equal to the unpaid interest and principal due on the Bonds on such Interest Payment Date, and will cause the same to be applied to the payment of such interest and principal when due (excluding principal on any Purchased Bond). Any moneys remaining in the Bond Fund on any Interest Payment Date after application as provided in the preceding sentence may, to the extent there shall exist any deficiency in the Redemption Fund to redeem Bonds called for mandatory sinking fund redemption on such Interest Payment Date, be transferred to the Redemption Fund to be applied for such purpose. Any balance remaining in the Bond Fund on the Business Day immediately succeeding an Interest Payment Date will be transferred to the Servicer for payment to the Credit Facility Provider to be applied in accordance with the Reimbursement Agreement. Income realized from the investment or deposit of moneys in the Bond Fund shall be deposited by the Trustee upon receipt in the General Account of the Revenue Fund.

## **Redemption Fund**

Any moneys credited to the Redemption Fund and not otherwise restricted will be applied FIRST, to reimburse the Credit Facility Provider to the extent of any draw made under the Credit Facility for

redemption of the Bonds as a result of a casualty or condemnation with respect to the Project; SECOND, to pay the redemption price of Bonds called for redemption as a result of an optional or mandatory redemption of the Bonds; and THIRD, to make up any deficiency in the Bond Fund on any Interest Payment Date, to the extent moneys then available in accordance with the Indenture in the General Account of the Revenue Fund and the Administration Fund are insufficient to make up such deficiency, provided that no moneys to be used to effect a redemption for which a conditional notice of redemption, the conditions of which have been satisfied, or an unconditional notice of redemption has been provided or moneys which are held for payment of Bonds which are no longer Outstanding under the Indenture will be so transferred to the Bond Fund.

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

### **Administration Fund**

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

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

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

### **Principal Reserve Fund**

During a Variable Period, there shall be deposited into the Principal Reserve Fund the Principal Reserve Schedule Payments. In addition, remarketing proceeds relating to the Purchased Bonds shall be deposited in the Principal Reserve Fund and used to reimburse Credit Facility Provider in an amount equal to the amount of any Liquidity Advance paid to the Trustee to purchase Bonds on any Settlement Date. At the direction of Credit Facility Provider, amounts on deposit in the Principal Reserve Fund shall be used by the Trustee to pay any amounts required to be paid by the Owner under any of the Bond Mortgage Loan Documents, the Reimbursement Agreement or amounts owed to Credit Facility Provider in connection with any loan purchased by Credit Facility Provider and secured by the Project, including without limitation any amounts required to be paid to Credit Facility Provider. At the request of the Owner, the Credit Facility Provider, in its sole and absolute discretion, with notice to the Trustee, may (i) consent to the release of all or a portion of the amounts on deposit in the Principal Reserve Fund to the Owner (in which case the Trustee shall release such amounts to the Owner, provided that if the amount on deposit in the Rebate Fund at such time is less than the amount required under the Indenture to be rebated to the United States Treasury, then prior to any such release to the Owner, any amounts on deposit in the Principal Reserve Fund (up to the amount of such deficiency) shall be transferred to the Rebate Fund) and/or (ii) reduce or no longer require deposits to the Principal Reserve Fund.

On any Interest Payment Date, to the extent of any deficiency in the Bond Fund, to the extent moneys then available in accordance with the Indenture in the General Account of the Revenue Fund, the Administration Fund and the Redemption Fund are insufficient to make up such deficiency, at the direction of Freddie Mac amounts on deposit in the Principal Reserve Fund shall be transferred to the Bond Fund in the amount of such deficiency.

Any amounts remaining in the Principal Reserve Fund after payment in full of the principal of and interest on the Bonds shall be applied as described herein under the caption "SUMMARY OF THE INDENTURE - Amounts Remaining in Funds."

### **Investment of Funds**

Any moneys attributable to each of the funds and accounts under the Indenture (except the Principal Reserve Fund and the Bond Purchase Fund) will be invested by the Trustee, at the direction of the Issuer in Qualified Investments which mature on the earlier of (a) six months from the date of investment and (b) the date such moneys are needed; provided, that if the Trustee shall have entered into any investment agreement requiring investment of moneys in any fund or account under the Indenture in accordance with such investment agreement and if such investment agreement constitutes a Qualified Investment, such moneys shall be invested in accordance with such requirements; and provided, further, that amounts in the Credit Facility Account of the Revenue Fund shall be held uninvested or shall be invested only in Government Obligations or in Qualified Investments of the type described in subparagraph (g) of the definition thereof, which, in any case, shall mature or be subject to tender or redemption at par on or prior to the earlier of: (i) 30 days from the date of investment or (ii) the date such moneys are required to be applied pursuant to the Indenture. Except as otherwise provided in the preceding sentence, in the absence of the written direction of the Issuer, the Trustee shall invest amounts on deposit in the funds and accounts established under the Indenture in investments describes in subparagraph (g) of the definition of Qualified Investments. Such investments may be made through the investment or securities department of the Trustee. All such Qualified Investments purchased with

money in any fund or account under the Indenture shall mature, or shall be subject to redemption or withdrawal without discount or penalty at the option of the Trustee, prior to the next succeeding Interest Payment Date.

Amounts on deposit in the Principal Reserve Fund shall be invested and reinvested by the Trustee, as directed in writing by the Owner, in (a) non-AMT tax-exempt obligations rated in the highest short term rating category by Moody's or S&P or Qualified Investments of the type described in subparagraph (a) of the definition of Qualified Investments which, in any case, shall mature or be subject to tender or redemption at par on or prior to the earlier of (i) 35 days from the date of investment or (ii) the date such moneys are needed for the purposes of the Indenture, (b) with the written approval of the Credit Facility Provider, money market funds investing solely in investments described in (a) which are rated in the highest short term rating category by Moody's or S&P and which shall mature or be subject to tender or redemption at par on or prior to the earlier of 35 days from the date of investment or the date such monies are needed for the purposes hereof, or (c) such other investments as shall be approved in writing by the Credit Facility Provider. Any interest earned on or profits realized from amounts on deposit in the Principal Reserve Fund shall be deposited into the Principal Reserve Fund. Provided that there is no deficiency in either the Principal Reserve Fund, the Cap Escrow (as certified in writing by the Servicer or the Credit Facility Provider), the Administration Fund or the Rebate Fund, and provided that the Trustee has not received written notice from the Credit Facility Provider that a default exists under any Bond Mortgage Loan Document, interest earned on, and profits realized from, amounts on deposit in the Principal Reserve Fund shall be paid to the Owner by the Trustee on the Interest Payment Date next succeeding receipt of such interest or profits.

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

The Trustee will not be liable or responsible for any loss resulting from any investment made in accordance with the Indenture.

In computing for any purpose under the Indenture the amount in any fund or account on any date, obligations so purchased will be valued at the lower of cost or par exclusive of accrued interest.

### **Rebate Fund**

There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Indenture and the Tax Certificate. Subject to the payment provisions described below, all amounts on deposit at any time in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate) and as calculated by the Rebate Analyst, for payment to the United States of America, and neither the Owner, the Issuer, Freddie Mac nor the Owner of any Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture and by the Tax Certificate.

## **Cost of Issuance Fund**

The Trustee will use moneys on deposit in the Cost of Issuance Fund to pay the costs of issuance on the Delivery Date or as soon as practicable thereafter in accordance with written instructions to be given to the Trustee by the Owner, upon delivery to the Trustee of appropriate invoices for such expenses. Amounts remaining on deposit in the Cost of Issuance Fund six months after the Delivery Date will be transferred to the Owner. Upon such final disbursement, the Trustee will close the Cost of Issuance Fund.

## **Moneys Held in Trust**

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

## **Amounts Remaining in Funds**

After full payment of the Bonds (or provision for payment thereof having been made in accordance with the Indenture) and full payment of the fees, charges and expenses of the Trustee and other amounts required to be paid under the Indenture or under the any Bond Mortgage Loan Document, the Credit Facility or the Reimbursement Agreement, including fees and expenses payable to the Issuer and the Credit Facility Provider, any amounts remaining in any fund or account under the Indenture other than the Rebate Fund shall be paid to the Owner; provided however, that if a default shall have occurred and remain uncured under any Bond Mortgage Loan Document of which the Trustee shall have received written notice from the Credit Facility Provider or the Servicer, then any such amounts remaining in any fund or account under the Indenture shall be paid to the Credit Facility Provider in accordance with the Reimbursement Agreement.

## **Events of Default; Acceleration; Remedies**

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

- (a) failure to pay the principal or Purchase Price of, premium, if any, or interest on any Bond (other than Purchased Bonds), when due, whether at the stated maturity thereof, or upon proceedings for redemption thereof, or on the maturity thereof by declaration; or
- (b) failure by the Credit Facility Provider to make when due a required payment under the Credit Facility (a “Paragraph (b) Event of Default”); or
- (c) failure to observe or perform any other of the covenants, agreements or conditions on the part of the Issuer (other than with respect to payment of principal of and interest on the Bonds) in the Indenture or in the Bonds and the continuance thereof for a period of 30 days after written notice to the Issuer from the Trustee or the Holders of more than 51 percent of the aggregate principal amount of the Bonds then Outstanding at such time specifying such default and requiring the same to be remedied; provided that the Credit Facility Provider shall have directed in writing that the same shall have constituted an Event of Default.

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

Upon the occurrence of an Event of Default as provided in (a) above, the Trustee shall, but so long as no Paragraph (b) Event of Default has occurred and is then continuing, only upon receipt from the Credit Facility Provider of a notice directing such acceleration (which notice may be given in the sole discretion of the Credit Facility Provider), by notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable, and interest on the Bonds shall cease to accrue. Upon the occurrence of an Event of Default as provided in (c) above, the Trustee may, but so long as no Paragraph (b) Event of Default has occurred and is then continuing, only upon receipt of the written consent of the Credit Facility Provider (which consent may be given in the sole discretion of the Credit Facility Provider), by notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable, and interest on the Bonds shall cease to accrue. Upon the occurrence of a Paragraph (b) Event of Default, the Trustee may, and upon the written request of the Holders of more than 51 percent of the aggregate principal amount of the Bonds then Outstanding and receipt of indemnity satisfactory to it shall, by notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable and interest on the Bonds shall cease to accrue upon such declaration. The payment on the Bonds resulting from a declaration of acceleration on the Bonds as the result of an Event of Default occurring in paragraphs (a) or (c) listed above under “Events of Default; Acceleration; Remedies” shall be made from the Credit Facility.

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

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

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

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

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

(d) by action or suit in equity, to enjoin any acts or things that may be unlawful or in violation of the rights of the Holders of Bonds 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.

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

### **Rights of Bondholders**

If a Paragraph (b) Event of Default has occurred and is then continuing, and if requested in writing so to do by the Holders of more than 51 percent of the aggregate principal amount of the Bonds then Outstanding with respect to which there is a default, and if indemnified to its satisfaction, the Trustee shall be obliged to exercise one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, shall deem most expedient in the interest of the affected Bondholders. If a Paragraph (b) Event of Default has occurred and is continuing, the Holders of more than 51 percent of the aggregate principal amount of the Bonds then Outstanding with respect to which an Event of Default has occurred shall have the right at any time, subject to the conditions described in the next succeeding paragraph, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings thereunder, in accordance with the provisions of law and of the Indenture.

No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust under the Indenture or for the appointment of a receiver or any other remedy thereunder, unless (a) a default shall have occurred of

which the Trustee shall have been notified as provided therein; (b) such default shall have become a Paragraph (b) Event of Default; (c) the Holders of more than 51 percent of the aggregate principal amount of the Bonds then Outstanding with respect to which there is such an Event of Default shall have made written request to the Trustee and shall have offered the Trustee reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (d) such owners shall have offered to the Trustee indemnity as provided in the Indenture; and (e) the Trustee shall within 60 days thereafter fail or refuse to exercise such powers or to institute such action, suit or proceeding, it being understood and intended that no one or more owners of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture or the rights of any other owners of Bonds or to obtain priority or preference over any other Holders or to enforce any right under the Indenture, except in the manner provided in the Indenture with respect to the equal and ratable benefit of all owners of Bonds with respect to which there is a default. Nothing contained in the Indenture shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of, the premium, if any, and interest on any Bond at the maturity thereof or the obligation to cause to be paid the principal of, premium, if any, and interest on the Bonds to the respective Holders thereof at the time, in the place, from the sources and in the manner expressed in said Bonds.

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

If an Event of Default as described under paragraph (a) or (c) under “Events of Default; Acceleration; Remedies” above has occurred and so long as no Paragraph (b) Event of Default has occurred and is continuing, upon receipt of the written direction of the Credit Facility Provider (which direction may be given in the sole discretion of the Credit Facility Provider), the Trustee shall be obligated to exercise any right or power conferred by the remedial provisions of the Indenture in the manner set forth in such written direction of the Credit Facility Provider. If such written direction expressly states that the Trustee may exercise one or more of the rights and powers conferred in the Indenture as the Trustee shall deem to be in the interest of the Bondholders and the Credit Facility Provider, the Trustee shall exercise one or more of such rights and powers as the Trustee shall deem to be in the best interests of the Bondholders and the Credit Facility Provider; provided, however, that in any event, so long as no Paragraph (b) Event of Default has occurred and is continuing, the Trustee may not undertake any action to realize, through sale or otherwise, upon the Bond Mortgage Loan without the express written direction of the Credit Facility Provider. So long as no Paragraph (b) Event of Default has occurred and is continuing, in the case of an Event of Default under paragraphs (a) or (c) under “Events of Default; Acceleration; Remedies” above, the Credit Facility Provider shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee. The Trustee’s duties under this section shall be subject in all events to the terms of the Indenture.

### **Supplemental Indentures**

Without the consent of, or notice to, any of the Bondholders, but with the prior written consent of the Credit Facility Provider, the Issuer and the Trustee may enter into supplemental indentures (not inconsistent with the terms and provisions of the Indenture or materially adverse to the owners of the Bonds) for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in the Indenture;
- (b) 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 either of them;

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

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

(e) in connection with any other change in the Indenture which, will not adversely affect the interest of the Trustee or the Bondholders; provided that in determining whether any change to the Indenture would materially adversely affect the interest of the Bondholders, the Trustee will be entitled to conclusively rely upon an opinion of counsel;

(f) to insert such provisions as are, in the opinion of Bond Counsel, necessary to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds;

(g) to modify or amend the Indenture as necessary to maintain the then current rating on the Bonds, except no change may be made that will adversely affect the interests of the Bondholders;

(h) during a Variable Period, to modify, alter, amend or supplement the Indenture in any other respect, including amendments which would otherwise require Bondholders consent, if notice of the proposed supplemental indenture is given to Bondholders (in the same manner as notices of redemption are given) at least 30 days before the effective date thereof and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to the Indenture;

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

(j) to implement or modify any secondary market disclosure requirements.

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

## **Trustee**

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

No provision of the Indenture shall be construed to relieve the Trustee from liability for its own negligence or willful misconduct, except to the extent set forth in the Indenture.

Except as otherwise provided in the Indenture, the Trustee may rely upon the authenticity or truth of the statements and the correctness of the opinions expressed in, and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, notarial seal, stamp, acknowledgment, verification, request, consent, order, bond, or other paper or document of the purportedly proper party or parties.

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

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

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

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

The Trustee shall not be required to ascertain or inquire as to the performance or observance of any of the covenants or agreements in the Indenture or in any contracts or securities assigned or conveyed to or pledged with the Trustee under the Indenture, except Events of Default that are evident under paragraphs (a) or (b) under "Events of Default; Acceleration; Remedies" above. The Trustee shall not be

required to take notice or be deemed to have notice or actual knowledge of any default or Event of Default specified in the Indenture unless the Trustee shall receive from the Issuer, or the Holders of more than 51 percent of the aggregate principal amount of the Bonds then Outstanding written notice stating that a default or Event of Default has occurred and specifying the same, and in the absence of such notice the Trustee may conclusively assume that there is not such default. Every provision contained in the Indenture or related instruments or in any such contract or security wherein the duty of the Trustee depends on the occurrence and continuance of such default shall be subject to the provisions of this paragraph.

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

There shall at all times be a Trustee under the Indenture which shall be a corporation organized and doing business under and in good standing under the laws of the United States of America or any state thereof authorized under such laws to exercise corporate trust powers, having its principal office and place of business in any state having a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by Federal or state authority. If such corporation or association publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this paragraph the combined capital and surplus of such corporation or association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this paragraph, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

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

The Trustee and any successor Trustee may at any time resign from the trusts created by the Indenture by giving written notice to the Issuer, the Owner, the Tender Agent, the Remarketing Agent and the Credit Facility Provider, and by giving notice by certified mail or overnight delivery service to each Holder of the Bonds then Outstanding. Such notice to the Issuer, the Owner, the Tender Agent, the Remarketing Agent and the Credit Facility Provider may be served personally or sent by certified mail or overnight delivery service. The resignation of the Trustee shall not be effective until a successor Trustee has been appointed, as provided in the Indenture, and such successor Trustee has agreed in writing to be bound by the duties and obligations of the Trustee under the Intercreditor Agreement. If no successor Trustee shall have been appointed and shall have accepted appointment within 60 days following delivery of all required notices of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

The Trustee may be removed at any time by an instrument in writing signed by the Issuer with the consent of the Credit Facility Provider (which consent shall not be unreasonably withheld) and delivered to the Trustee, the Owner, the Tender Agent, the Remarketing Agent and the Credit Facility Provider, and

if an Event of Default shall have occurred and be continuing, if other than a Paragraph (b) Event of Default, by a written instrument signed by the Credit Facility Provider and delivered to the Trustee, the Issuer, the Owner, the Tender Agent and the Remarketing Agent. If a Paragraph (b) Event of Default shall have occurred and be continuing, the Trustee may be removed by a written instrument or concurrent instruments in writing signed by the Holders of more than 51 percent of the aggregate principal amount of the Bonds then Outstanding and delivered to the Trustee, the Issuer, the Owner, the Tender Agent, the Remarketing Agent and the Credit Facility Provider. The Trustee may also be removed for cause, at the direction of the Credit Facility Provider, by an instrument in writing signed by the Issuer consenting to such removal (which consent of the Issuer shall not be unreasonably withheld) and delivered to the Trustee and the Owner. The Trustee may not be removed until a successor Trustee has been appointed and has accepted such appointment and has agreed in writing to be bound by the duties and obligations of the Trustee under the Intercreditor Agreement.

In case the Trustee shall resign, be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting under the Indenture, or in case the Trustee shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor Trustee may be appointed by the Issuer with the approval of the Credit Facility Provider, or if the Issuer is then in default hereunder, by the Holders of more than 51 percent of the aggregate principal amount of the Bonds then Outstanding, with the approval of the Credit Facility Provider, by an instrument or concurrent instruments in writing signed by such Holders, or by their duly authorized attorneys, delivered to the Issuer, the Owner, the Credit Facility Provider and such successor Trustee; provided, nevertheless, that in case of vacancy the Issuer may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by such Bondholders in the manner above provided; and any such temporary Trustee so appointed by the Issuer shall immediately and without further act be superseded by the Trustee so appointed by such Bondholders. Every such Trustee appointed pursuant to the provisions of this section shall be a trust company or bank organized under the laws of the United States of America or any state thereof and which is in good standing, within or outside the State, having a reported capital and surplus of not less than \$50,000,000 and at least \$50,000,000 in trust assets under management if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms. Such successor Trustee shall agree to be the successor mortgagee under the Bond Mortgage.

### **Satisfaction and Discharge of Indenture**

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

- (a) by the payment of principal of (including redemption premium, if any) and interest on all Bonds outstanding; or
- (b) by (i) the deposit or credit to the account of the Trustee, in trust, of money or securities in the necessary amount(as provided in the Indenture) to pay the principal, redemption price or Purchase Price and interest to the date established for purchase or redemption (calculated at the Maximum Rate to the extent the Bonds then bear interest at a Variable Rate) whether by redemption, purchase or otherwise; and (ii) if the Bonds then bear interest at the Variable Rate, the delivery to the Trustee of a written confirmation by the Rating Agency of the rating then existing on the Bonds as of the date of such deposit or credit; or
- (c) by the delivery to the Trustee, for cancellation by it, of all Bonds Outstanding;

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

Any Outstanding Bond shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the immediately preceding paragraph if, under circumstances which do not render interest on the Bond subject to inclusion in the gross income of the owner thereof for purposes of federal income taxation, the following conditions shall have been fulfilled: (a) in case such Bond is to be redeemed on any date prior to its maturity, the Trustee shall have given to the Bondholder irrevocable notice of redemption of such Bond on said date; (b) there shall be on deposit with the Trustee either moneys or direct obligations of the United States of America in accordance with the Indenture in an amount, together with anticipated earnings thereon (but not including any reinvestment of such earnings), which will be sufficient to pay when due the principal or redemption price, if applicable, and interest due and to become due on such Bond on the redemption date or maturity date thereof, as the case may be; and (c) the Trustee shall have received an opinion of nationally recognized bankruptcy counsel, if required by subpart (e) of the definition of "Eligible Funds," to the effect that such moneys constitute Eligible Funds.

## **SUMMARY OF THE FINANCING AGREEMENT**

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

In connection with the issuance of the Bonds, the Issuer, the Trustee and the Owner will enter into the Financing Agreement. Pursuant to the terms of the Financing Agreement, the Issuer will agree to issue Bonds to fund the Bond Mortgage Loan by the Issuer to the Owner, and the Owner will agree, among other things, to make all payments under the Financing Agreement when due and to abide by the provisions of the Financing Agreement.

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

The Bond Mortgage Loan shall (a) be evidenced by the Bond Mortgage Note; (b) be initially secured by the Credit Facility; (c) be in the principal amount of \$3,375,000; (d) bear interest as provided in the Bond Mortgage Note; (e) provide for monthly payments into the Principal Reserve Fund in accordance with the Principal Reserve Schedule, such Principal Reserve Schedule being attached to the Reimbursement 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 provided in the Financing Agreement and in the Bond Mortgage Note. In conjunction with its assignment of the Trust Estate to the Trustee pursuant to the Indenture, the Issuer directs that the Bond Mortgage Note be made payable to the Trustee and that the Bond Mortgage be made for the benefit of the Trustee.

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

### **Bond Mortgage Loan Payments; Independent Obligation of Owner**

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

The obligations of the Owner to repay the Bond Mortgage Loan, to perform all of its obligations under the Bond Mortgage Loan Documents, to provide indemnification pursuant to the Financing Agreement, to pay costs, expenses and charges pursuant to the Financing Agreement and to make any and all other payments required by the Financing Agreement, the Indenture or any other documents contemplated by the Financing Agreement or by the Bond Mortgage Loan Documents will be absolute and unconditional and will not be subject to diminution by setoff, recoupment, counterclaim, abatement or otherwise.

With certain exceptions, the obligations of the Owner are non-recourse (see "Obligations of Owner Are Non-Recourse" below).

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

The payments to be made by the Owner under the Bond Mortgage Note include certain moneys to be paid in respect of, among others, the Bond Fee Component, the Ordinary Servicing Fees and Expenses, the Freddie Mac Credit Enhancement Fee, the Principal Reserve Schedule payments and amounts required to be deposited in the Custodial Escrow Account pursuant to the Bond Mortgage Loan Documents. To the extent that any portion of the Ordinary Servicing Fees and Expenses, Freddie Mac Credit Enhancement Fee, the Remarketing Agent's Fees, the annual rating maintenance fees of the Rating Agency or amounts required to be deposited in the Custodial Escrow Account remain due and owing at any time, such amounts remaining due and owing will be payable from moneys on deposit in the Administration Fund as provided in the Indenture or from other moneys of the Owner, to the extent that moneys in the Administration Fund are insufficient for such purposes. All other fees and expenses will be payable from moneys of the Owner as provided in the Financing Agreement.

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

The Owner will have the option to prepay the Bond Mortgage Loan in full or in part prior to the payment and discharge of all the outstanding Bonds only in accordance with the provisions of the Bond Mortgage Note, the Indenture and the Financing Agreement and only with the prior written consent of the Credit Facility Provider and upon the payment of any amount due under the Financing Agreement. The Owner shall be required to prepay the Bond Mortgage Loan in each case where Bonds are required to be redeemed pursuant to the Indenture. The Bonds are subject to redemption in accordance with the terms and conditions set forth in the Indenture. In connection with any prepayment, whether optional or mandatory, in addition to all other payments required under the Bond Mortgage Note, the Owner will pay, or cause to be paid to the Servicer or otherwise, an amount sufficient to pay the redemption price of the Bonds to be redeemed, including principal, interest and premium (if any) and further including any interest to accrue with respect to the Bond Mortgage Loan and such Bonds between the prepayment date and the redemption date, together with a sum sufficient to pay all fees, costs and expenses in connection with such redemption and, in the case of redemption in whole, to pay all other amounts payable under the Financing Agreement, the Indenture and the Reimbursement Agreement. The Owner will provide notice of the prepayment to the Trustee, the Credit Facility Provider, the Servicer and the Issuer in writing 45 days, or such shorter time as is possible in the case of involuntary prepayments, prior to the date on which the Owner will make the prepayment. Each such notice will state, to the extent such information is available (a) the amount to be prepaid, (b) the date on which the prepayment will be made by the Owner, and (c) the cause for the prepayment, if any.

## **Owner's Obligations Upon Redemption or Tender**

In the event of any redemption, the Owner will timely pay, or cause to be paid through the Servicer, to the Trustee an amount equal to the principal amount of such Bonds or portions thereof called for redemption, together with interest accrued to the redemption date and premium, if any. The Owner will timely pay all fees, costs and expenses associated with any redemption of Bonds. In the event that on any optional tender date or mandatory tender date under and as provided in the Indenture, Bonds are tendered and not remarketed by the Remarketing Agent, and remarketing proceeds are not available for the purpose of paying the purchase price of such Bonds, the Owner will cause to be paid, under and subject to the terms of the Credit Facility and the Reimbursement Agreement to the Trustee by the applicable times provided in the Indenture an amount equal to the principal amount of such Bonds tendered and not remarketed, together with interest accrued to the mandatory tender date or optional tender date, as the case may be. The Owner acknowledges that Purchased Bonds will be purchased by the Trustee for and on behalf of, and registered in the name of, the Owner and will be pledged to the Credit Facility Provider pursuant to the Pledge Agreement.

## **Tax Compliance**

In the Financing Agreement, the Owner has covenanted that it will not use the proceeds of the Bonds, the earnings thereon and any other moneys on deposit in any fund or account maintained in respect of the Bonds (whether such moneys were derived from the proceeds of the sale of the Bonds or from other sources) in a manner which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the 1986 Code.

## **Events of Default and Remedies**

The following shall be "Events of Default" under the Financing Agreement and the terms "Event of Default" or "default" shall mean, whenever they are used in the Financing Agreement, one or all of the following events:

(a) failure by the Owner to pay any amounts due under the Financing Agreement, the Bond Mortgage Note or the Bond Mortgage at the times and in the amounts required by the Financing Agreement, the Bond Mortgage Note or the Bond Mortgage;

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

(c) the occurrence of a default under the Reimbursement Agreement shall at the discretion of the Credit Facility Provider constitute an Event of Default under the Financing Agreement. The occurrence of a default under the Financing Agreement shall in the discretion of the Credit Facility Provider constitute a default under the Bond Mortgage Loan Documents and the Reimbursement Agreement. Nothing contained in the Financing Agreement is intended to amend or modify any of the provisions of the Bond Mortgage Loan Documents or the Reimbursement Agreement or to bind the Servicer or Credit Facility Provider to any notice and cure periods other than as expressly set forth in the Bond Mortgage Loan Documents and the Reimbursement Agreement.

Nothing contained in the Financing Agreement is intended to amend or modify any of the provisions of the Bond Financing Documents or to bind the Issuer, the Trustee, the Servicer or Credit Facility Provider to any notice and cure periods other than as expressly set forth in the Bond Financing Documents.

### **Remedies on Default**

Whenever any Event of Default under the Financing Agreement shall have happened and be existing, any one or more of the following remedial steps may be taken; provided that in no event shall the Issuer or the Trustee be obligated to take any step which in its opinion will or might cause it to expend time or money or otherwise incur liability unless and until a satisfactory indemnity bond has been furnished to it:

(a) The Issuer shall cooperate with the Trustee as the Trustee acts pursuant to the provisions of the Indenture relating to remedies to the extent permitted by law.

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

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

(d) The Issuer or Trustee may take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due under the

Financing Agreement, or to enforce performance and observance of any obligation, agreement or covenant of the Owner under the Financing Agreement.

Any amounts collected pursuant to the Financing Agreement and any other amounts which would be applicable to payment of principal of and interest and any premium on the Bonds collected pursuant to action taken after default shall be applied in accordance with the provisions of the Indenture.

The provisions of the Financing Agreement are subject to the further limitation that if, after any Event of Default all amounts which would then be payable thereunder by the Owner if such Event of Default had not occurred and was not continuing shall have been paid by or on behalf of the Owner, the Owner shall have also performed all other obligations in respect of which it is then in default thereunder, and shall have paid the reasonable charges and expenses of the Issuer, the Trustee, the Servicer and the Credit Facility Provider, including reasonable attorneys' fees paid or incurred in connection with such default, and shall have paid all Freddie Mac Reimbursement Amounts and Freddie Mac Credit Enhancement Fees, and if there shall then be no Event of Default existing under the Indenture, then and in every such case such Event of Default under the Financing Agreement shall be waived and annulled, but no such waiver or annulment shall affect any subsequent or other Event of Default or impair any right consequent thereon.

#### **Obligations of Owner Are Non-Recourse**

Except as described in the Financing Agreement, the obligations of the Owner under the Financing Agreement (other than the Owner's indemnification obligations, obligations to pay fees and expenses under the Financing Agreement and to pay rebate to the federal government, if any) are non-recourse obligations of the Owner to the same extent as provided in the Bond Mortgage Loan Documents.

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

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

The following terms have the meanings provided below:

"AMGI" means the area median gross income for the area in which the Project is located, as determined from time to time by the Secretary of the United States Department of Housing and Urban Development in a manner consistent with determinations of lower income families and area median gross income under Section 8 of the United States Housing Act of 1937, as amended (or if such program is terminated, under such program as in effect immediately before such termination).

"Lower-Income Tenant Occupancy Requirement" means the requirement of the Code that 40% of the units in the Project be occupied by Lower-Income Tenants as provided in the Regulatory Agreement.

"Lower-Income Tenants" means individuals whose income is 60% or less of AMGI, as adjusted for family size. In no event, however, shall occupants of a dwelling unit be considered to be Lower-Income Tenants if all the occupants are students (as defined in Section 151(c)(4) of the Code), no one of whom is entitled to file a joint federal income tax return.

“Qualified Project Period” has the meaning used in Section 142(d)(2)(A) of the Code and generally means the period beginning on the first date (on or after the closing date of the Bond Mortgage Loan) on which 10% of the residential units in the Project are occupied and ending on the latest of the following dates: (1) the date which is 15 years after the first date (on or after the closing date of the Bond Mortgage Loan) on which 50% of the residential units in the Project are occupied; (2) the first date (on or after the Closing Date of the Bond Mortgage Loan) on which no tax-exempt private activity bond issued with respect to the Project is outstanding; or (3) the first date (on or after the closing date of the Bond Mortgage Loan) on which all assistance provided with respect to the Project under Section 8 has terminated.

“Qualified Residential Rental Project” means a project that satisfies the requirements of a “qualified residential rental project” as set forth in Section 142(d) of the 1986 Code.

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

(i) a residential unit in the Project shall be treated as “occupied” if it was previously rented to and occupied by a Lower-Income Tenant and is being held vacant and available for rental to a Lower-Income Tenant. When such a unit is reoccupied (other than for a temporary period of not more than 31 days), the character of the unit shall be redetermined; and

(ii) the determination of income will be made both prior to occupancy and on a continuing basis. Increases in a Lower-Income Tenant’s income up to 140% of the applicable limit (adjusted for family size) will not result in disqualification so long as the next unit of comparable or smaller size in the Project which becomes vacant shall be rented to a Lower Income Tenant. In the event that a Lower-Income Tenant’s income increases to a level more than 140% of the then applicable limit (or if a Lower-Income Tenant’s family size decreases so that a lower maximum income applies to the Lower-Income Tenant), that Lower-Income Tenant may no longer be counted among the 40% of units that satisfy the Lower-Income Tenant Occupancy Requirement.

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

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

*The Issuer, the Trustee and Freddie Mac have agreed upon their respective rights arising from an Event of Default under any Bond Financing Document in the Intercreditor Agreement. The following is a brief summary of certain provisions of the Intercreditor Agreement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full text of the Intercreditor Agreement, a copy of which is on file with the Trustee.*

Under the terms of the Intercreditor Agreement, the Issuer, the Trustee and Freddie Mac have agreed, among other things, that, until either (a) Freddie Mac fails to honor a draw properly presented in accordance with the terms of the Credit Enhancement Agreement or (b) the Credit Enhancement

Agreement terminates in accordance with its terms, certain of the rights and remedies of the Issuer, the Trustee and Freddie Mac, under certain of the Bond Financing Documents, including (without limitation) the rights and remedies of the Trustee, as beneficiary of the Bond Mortgage under its terms, may be exercised only with the prior written consent of Freddie Mac, in its sole discretion, including (without limitation) the right to waive certain terms and conditions of certain of the Bond Financing Documents pertaining to the Owner.

Notwithstanding anything to the contrary contained in the Financing Agreement and pursuant to the Intercreditor Agreement, as long as Freddie Mac is not in default of its obligations under the Credit Enhancement Agreement, neither the Issuer, the Trustee nor any other person shall, upon the occurrence of an Event of Default under the Financing Agreement or any event of default under the Bond Financing Documents, take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Bond Mortgage Loan, except at the direction of Freddie Mac; provided that this prohibition shall not be construed to limit the rights of the Issuer or the Trustee to specifically enforce the Tax Regulatory Agreement in order to provide for operation of the Project in accordance with the 1986 Code and the Act; and provided further that this prohibition shall not be construed to limit the indemnification rights of the Issuer, the Trustee, the Servicer, Freddie Mac or any other indemnified party under the Financing Agreement to enforce its rights against the Owner under the Financing Agreement by mandamus or other suit, action or proceeding at law or in equity where such suit, action or proceeding does not seek any remedies under or with respect to the Bond Mortgage or cause acceleration of the Bond Mortgage Loan.

## **UNDERWRITING**

The Bonds are being purchased on a negotiated basis by Ferris, Baker Watts, Incorporated (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at a price equal to the principal amount thereof. The Underwriter will receive a fee of \$36,171.88 relating to its purchase of the Bonds. The Bond Purchase Agreement among the Administration, the Owner and the Underwriter, dated as of December 20, 2006 (the “Bond Purchase Agreement”), provides that the Underwriter will purchase all but not less than all of the Bonds. The Underwriter’s 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 Underwriter. The Underwriter 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.

## **FINANCIAL ADVISOR**

Caine Mitter & Associates Incorporated (the “Financial Advisor”) has served as Financial Advisor to the Issuer in connection with the sale of the Bonds.

## **CONTINUING DISCLOSURE**

So long as the Bonds bear interest at the Variable Rate or do not otherwise become subject to the Rule (as defined below), the Bonds are exempt from continuing disclosure pursuant to Rule 15c2-12 promulgated and amended by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the “Rule”). In the event of conversion of the Bonds to a Reset Rate, conversion to the Fixed Rate, or the Bonds otherwise becoming subject to the Rule, the Owner has agreed to execute and deliver to the Trustee a Continuing Disclosure Agreement upon the date of such conversion.

The Owner will undertake all responsibility for any future continuing disclosure to Bondholders, and the Issuer will have no liability to the Holders of the Bonds or any other person with respect to such disclosure. Failure of the Owner to comply with any Continuing Disclosure Agreement is not considered an Event of Default under the Indenture or the Financing Agreement; however, the Trustee, at the written request of the Holders of at least 25 percent in aggregate principal amount of Outstanding Bonds or the Credit Facility Provider, shall, but only to the extent funds or other indemnity in an amount satisfactory to the Trustee is furnished to it to hold the Trustee harmless from any loss, cost, expense or liability, including, without limitation, fees and expenses of its attorneys and additional fees of the Trustee, but only to the extent indemnified to its satisfaction, or any Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Owner to comply with its obligations under the Financing Agreement with respect to continuing disclosure.

## **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 Owner in connection with the Bonds, and Bond Counsel has assumed compliance by the Administration and the Owner 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 Owner to make certain covenants in the Bond Mortgage 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.

### **RATINGS**

Moody's (the "Rating Agency") is expected to assign the ratings to the Bonds as shown on the cover page of this Official Statement. The ratings reflect only the view of the Rating Agency, and an explanation of the significance of such ratings may be obtained directly from the Rating Agency. There is no assurance that the current ratings will continue for any given period of time or that the current ratings will not be revised downward or withdrawn entirely if, in the judgment of the Rating Agency, circumstances so warrant. Any such downward revision or withdrawal of the rating on a series of Bonds may have an adverse effect on the market price of such Bonds.

### **CERTAIN LEGAL MATTERS**

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approving opinion of Hawkins Delafield & Wood LLP, as Bond Counsel, which will be furnished at the expense of the Owner upon delivery of the Bonds (the "Bond Opinion"). The Bond Opinion will be limited to matters relating to authorization and validity of the Bonds and to the tax-exempt status of the Bonds as described herein under the caption "TAX MATTERS." Bond Counsel has not been engaged to investigate the financial resources of the Owner, the Servicer, Freddie Mac or any other source of payment of the Bonds, and the Bond Opinion will make no statement as to such matters.

Certain legal matters will be passed upon for Freddie Mac by its Legal Department and by its special counsel, Ballard Spahr Andrews & Ingersoll, LLP, Washington, D.C.. Payment of the fees of certain counsel to the transaction is contingent upon the execution and delivery of the Bonds as described herein.

Certain legal matters will be passed upon for the Underwriter by its counsel, Law Offices of Thomas K. Slattery, P.L.L.C, Washington, D.C.

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

## **NO LITIGATION**

### **The Owner**

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before any court, public board or body, pending or, to the knowledge of the Owner, threatened against the Owner or the Project in any way contesting or affecting the construction of the Project or the transactions contemplated by or under the Bond Financing Documents and the Bond Mortgage Loan Documents.

### **The Issuer**

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before any court, public board or body, pending or, to the knowledge of the Issuer, threatened against the Issuer restraining or enjoining the execution or delivery of the Bonds, or in any way contesting or affecting the validity thereof or the validity or enforceability of the Issuer's obligations under the Bond Financing Documents.

## **ENFORCEABILITY OF REMEDIES**

The remedies available to the Trustee and the owners of the Bonds upon an Event of Default under the Indenture, the Financing Agreement, the Tax Regulatory Agreement, the Credit Enhancement Agreement or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

## **MISCELLANEOUS**

Brief descriptions of the Issuer, the sources of payment for the Bonds, the Bonds, the Project, the Owner, the Servicer and Freddie Mac and a general summary of the Indenture, the Financing Agreement, the Tax Regulatory Agreement, the Credit Enhancement Agreement, the Intercreditor Agreement and the Reimbursement Agreement are included in this Official Statement. All references herein to the Indenture, the Financing Agreement, the Tax Regulatory Agreement, the Credit Enhancement Agreement, the Intercreditor Agreement, the Reimbursement Agreement and all other documents and agreements are qualified in their entirety by reference to such documents and agreements, and all references to the Bonds are qualified by reference to the form thereof included in the Indenture, copies of which are available for inspection at the principal corporate trust office of the Trustee.

Any statements in this Official Statement involving matters of opinion or forecast, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Issuer, the Owner, or Freddie Mac and the purchasers or owners of the Bonds.

The Issuer makes no representations with respect to any information in this Official Statement other than the information under the headings “THE ISSUER” and “NO LITIGATION–The Issuer.” The Issuer has not prepared or participated in the preparation of any portion of this Official Statement other than the portion under the headings “THE ISSUER” and “NO LITIGATION–The Issuer.”

This Official Statement has been approved and delivered by the Issuer.

**COMMUNITY DEVELOPMENT  
ADMINISTRATION**

By: /s/ Stephen D. Silver  
Stephen D. Silver, Acting Director

The execution and delivery of this Official Statement has been approved by the Owner.

**HAMPSTEAD CHARLES LANDING  
PARTNERS, L.P.,**  
a Maryland limited partnership

By: 2006 Charles Landing, LLC,  
a Maryland limited liability company,  
its General Partner

By: Hampstead Partners, Inc.,  
a California corporation,  
its Managing Member

By: /s/ Chris Foster  
Name: Chris Foster  
Title: President

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## APPENDIX A

### DEFINITIONS OF CERTAIN TERMS

*In addition to the terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in this Official Statement. Terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Indenture or the Financing Agreement.*

“Act” means Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended.

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

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

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

“Authorized Denomination” means, (a) with respect to Bonds in a Variable Period, \$100,000 principal amount or any integral multiple of \$5,000 greater than \$100,000, and (b) with respect to Bonds during any Reset Period or the Fixed Rate Period, \$5,000 principal amount or any integral multiple thereof.

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

“BMA Index Rate” means a rate equal to the index of the weekly index rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data, a Thomson Financial Services Company, or its successors, which meet specific criteria established by the Bond Market Association, such index currently known as the Bond Market Association™ Municipal Swap Index.

“Bond Counsel” means any firm of attorneys selected by the Issuer experienced in matters relating to the issuance of obligations by states and their political subdivisions who are listed as municipal bond attorneys in The Bond Buyer’s Municipal Marketplace and are acceptable to the Credit Facility Provider.

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

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

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

“Bondholder” or “Holder” or “owner of the Bond[s]” means any person who shall be the registered owner of any Outstanding Bond or Bonds.

“Bond Mortgage” means the Multifamily Deed of Trust, Assignment of Rents and Security Agreement dated as of December 1, 2006, together with all riders and addenda thereto, from the Owner to the Issuer, securing payment of the Bond Mortgage Loan, as such Bond Mortgage may from time to time be amended, modified or supplemented as such Mortgage has been assigned by the Issuer to the Trustee.

“Bond Mortgage Loan” means the loan made to the Owner pursuant to the Bond Mortgage Loan Documents.

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

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

“Bond Mortgage Note” means the Multifamily Note dated December 21, 2006, from the Owner to the Trustee in the principal amount of \$3,375,000, together with all riders and addenda thereto, evidencing the Bond Mortgage Loan, as such Bond Mortgage Note may from time to time be amended, modified or supplemented.

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

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

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

“Bonds” means the Community Development Administration Variable Rate Demand Multifamily Development Revenue Bonds (Charles Landing South Apartments) Series 2006 B issued pursuant to the provisions of the Indenture.

“Business Day” means any day other than (a) a Saturday, (b) a Sunday, (c) a day on which the Federal Reserve Bank of New York (or other agent acting as the Credit Facility Provider’s fiscal agent identified to the Trustee) is closed, (d) a day on which the permanent home office of the Credit Facility Provider is closed or (e) a day on which (i) banking institutions in the City of New York or in the city in which the Principal Office of the Trustee, the Tender Agent, the Remarketing Agent or the Credit Facility Provider is located are authorized or obligated by law or executive order to be closed or (ii) the New York Stock Exchange is closed.

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

“Conversion” means the establishment of the interest rate on the Bonds at the Fixed Rate, pursuant to the Indenture.

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

“Cost of Issuance” means all items of expense directly or indirectly payable by, or reimbursable to the Issuer or the Owner and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to the Issuer Fee, the costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee including fees and charges of its counsel, including in-house counsel, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and expenses of Freddie Mac, including legal fees of counsel to Freddie Mac, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds which constitutes a “cost of issuance” within the meaning of Section 147(g) of the 1986 Code.

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

“Counterparty” has the meaning given that term in the Reimbursement Agreement.

“Credit Enhancement Agreement” means the direct pay Credit Enhancement Agreement dated as of December 1, 2006 between Freddie Mac and the Trustee, as such Credit Enhancement Agreement may from time to time be amended or supplemented.

“Credit Facility” means the Credit Enhancement Agreement or any Alternate Credit Facility at the time in effect.

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

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

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

“Custodian” means Manufacturers and Traders Trust Company not in its individual capacity but solely in its capacity as collateral agent for the Credit Facility Provider, and any successor in such capacity.

“Delivery Date” means December 21, 2006, the date of initial delivery of the Bonds to the initial purchasers thereof against payment therefor.

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

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

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

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

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

“Extraordinary Trustee’s Fees and Expenses” means all those fees, expenses and disbursements earned or incurred by the Trustee as described in the Indenture during any Bond Year for Extraordinary Services.

“Financing Agreement” means the Financing Agreement dated as of December 1, 2006, among the Owner, the Issuer and the Trustee, as such Financing Agreement may from time to time be amended or supplemented.

“Fixed Rate” means the interest rate borne by the Bonds from and after Conversion and until the maturity date of the Bonds, determined in accordance with the Indenture.

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

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

“Freddie Mac Credit Enhancement Fee” shall have the meaning set forth in the Reimbursement Agreement.

“Freddie Mac Credit Enhancement Payment” shall have the meaning set forth in the Credit Enhancement Agreement.

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

“Government Obligation” means Qualified Investments described in (a) and (b) of the definition of “Qualified Investments” herein.

“Guaranteed Payment” shall have the meaning set forth in the Credit Enhancement Agreement.

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

“Indenture” means the Trust Indenture between the Issuer and the Trustee, dated as of December 1, 2006, as the same may have been from time to time amended or modified, together with any other indentures supplemental thereto.

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

“Initial Rate” means, with respect to the Bonds, the interest rate determined by the Remarketing Agent on or before the Delivery Date.

“Intercreditor Agreement” means the Intercreditor Agreement dated as of December 1, 2006 among the Issuer, the Trustee and Freddie Mac, as the same may be amended or supplemented.

“Interest Payment Date” means January 2, 2007, and thereafter (i) for interest accrued during any Variable Period, the applicable Variable Rate Adjustment Date and the first Business Day of each month thereafter, (ii) for interest accrued during any Reset Period, the applicable Reset Adjustment Date and June 1 and December 1 of each year, commencing on the June 1 or December 1 next following the applicable Reset Adjustment Date, (iii) for interest accrued on and after the Conversion Date, the Conversion Date and June 1 and December 1 of each year, commencing on the June 1 or December 1 next following the Conversion Date, (iv) each Substitution Date and the maturity date of the Bonds, and (v) for Bonds subject to redemption in whole, the date of redemption (or purchase in lieu of redemption).

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

“Issuer” or “Administration” 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.

“Lender” means the holder of the Note.

“Liquidity Advance” shall have the meaning provided in the Reimbursement Agreement.

“Liquidity Commitment” shall have the meaning provided in the Credit Enhancement Agreement.

“Loan Equalization Payment” means a mandatory prepayment of the Bond Mortgage Loan in an amount sufficient for the Project to achieve stabilization as determined by the Credit Facility Provider.

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

“Maturity Date” means the maturity date of the Bonds set forth in the Indenture.

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

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

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

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

“Ordinary Servicing Fees and Expenses” means the ordinary fees payable to the Servicer in connection with the servicing of the Bond Mortgage Loan under the Guide, payable monthly in arrears on the first day of each month in an amount equal to 1/12 of 0.40% of the principal balance of the Bond Mortgage Loan outstanding on the day before such payment is due.

“Ordinary Trustee’s Fees and Expenses” means those fees, expenses and disbursements payable to the Trustee as described in the Indenture (exclusive of Extraordinary Trustee’s Fees and Expenses), not exceeding in any Bond Year an amount equal to \$4,250 per year payable in advance.

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

- (a) Bonds surrendered and replaced upon exchange or transfer, or cancelled because of payment or redemption, at or prior to such date;
- (b) Bonds for the payment, redemption or purchase for cancellation of which sufficient money has been deposited prior to such date with the Trustee (whether upon or prior to the maturity, amortization or redemption date of any such Bonds), or which are deemed to have been paid and discharged pursuant to the provisions of the Indenture; provided that if such Bonds are to be redeemed prior to the maturity thereof, other than by scheduled amortization, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee; and
- (c) Bonds in lieu of which others have been authenticated (or payment, when due, of which is made without replacement) in the Indenture; and also except that
- (d) For the purpose of determining whether the Holders of the requisite amount of Bonds Outstanding have made or concurred in any notice, request, demand, direction, consent, approval, order, waiver, acceptance, appointment or other instrument or communication under or pursuant to the Indenture, Bonds owned by or for the account of the Owner or any Person owned, controlled by, under common control with or controlling the Owner shall be disregarded and deemed to be not Outstanding, unless all Bonds shall be so owned, and provided that the Trustee has knowledge of the foregoing; provided, further, that all Purchased Bonds shall be deemed to be Outstanding, and the Trustee shall follow any direction provided by the Credit Facility Provider with respect to Purchased Bonds for purposes hereof (Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee shall establish, to the satisfaction of the Trustee, the pledgee’s right to vote such Bonds, and in the event of a dispute as to the existence of such right, any decision by the Trustee taken upon the advice of counsel shall constitute full protection to the Trustee). The term “control” (including the terms “controlling”, “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise. Beneficial ownership of 5 percent or more of a class of securities having general voting power to elect a majority of the board of directors of a corporation shall be conclusive evidence of control of such corporation.

“Owner” means Hampstead Charles Landing Partners, L.P., a limited partnership, organized and existing under the laws of the State, or any of its permitted successors or assigns as owner of the Project.

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

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

“Pledge Agreement” means that certain Pledge, Security and Custody Agreement, dated as of December 1, 2006, by and between the Trustee, as custodian for Freddie Mac, and the Owner, as originally executed or as modified or amended from time to time, together with any similar agreement executed in connection with an Alternate Credit Facility, as originally executed or as amended or modified from time to time.

“Principal Component” shall have the meaning set forth in the Credit Enhancement Agreement.

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

“Principal Reserve Fund” means the Principal Reserve Fund established by the Trustee pursuant to the Indenture.

“Principal Reserve Requirement” means 20% of the original principal amount of the Bonds outstanding or such other amount specified in writing to the Trustee (i) by the Issuer with the prior written consent of the Credit Facility Provider, or (ii) by the Credit Facility Provider; provided any such direction is accompanied by an opinion of Bond Counsel to the effect such change in amount will not adversely affect the tax exempt status of the Bonds.

“Principal Reserve Schedule” means the Principal Reserve Schedule calculated in accordance with, and attached as Exhibit A to, the Reimbursement Agreement.

“Principal Reserve Schedule Payments” means the payments to be made by the Owner in accordance with the Principal Reserve Schedule on the first day of each month.

“Official Statement” means the Official Statement dated December 14, 2006 relating to the sale and issuance of the Bonds, as the same may be supplemented or amended.

“Project” means the land and 60 multifamily residential rental apartment units, and related fixtures, equipment, furnishings and site improvements known as Charles Landing South Apartments in Indian Head, Charles County, Maryland, including the real estate described in the Bond Mortgage.

“Purchased Bond” means any Bond during the period from and including the date of its purchase by the Trustee on behalf of the Owner with amounts provided by the Credit Facility Provider under the Credit Facility, to, but excluding, the date on which such Bond is remarketed to any Person other than the

Credit Facility Provider, the Owner, any general partner or guarantor of the Owner or the Issuer. All Purchased Bonds are to be held under and pursuant to the Pledge Agreement.

“Purchase Price,” with respect to any Bond required to be purchased pursuant to the Indenture, means the principal amount of such Bond plus interest accrued thereon to the Settlement Date and with respect to any Bond to be purchased pursuant to the Indenture means the principal amount of such Bond plus any redemption premium due thereon plus interest accrued thereon to the Settlement Date.

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

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

“Rebate Analyst” means a certified public accountant, financial analyst or bond counsel, or any firm of the foregoing, or financial institution (which may include the Trustee) experienced in making the arbitrage and rebate calculations required pursuant to Section 148 of the 1986 Code, selected by and at the expense of the Owner, with the prior written consent of the Issuer, to make the computations required under the Indenture and the Financing Agreement.

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

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

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

“Reimbursement Agreement” means the Reimbursement and Security Agreement dated as of December 1, 2006 between the Owner and Freddie Mac, as such Reimbursement Agreement may be amended or supplemented from time to time, and upon the effectiveness of any Alternate Credit Facility, any similar agreement between the Owner and the Alternate Credit Facility Provider pursuant to which the Owner agrees to reimburse the Alternate Credit Facility Provider for payments made under the Alternate Credit Facility, as such agreement may be amended or supplemented.

“Reimbursement Mortgage” means the Multifamily Deed of Trust, Assignment of Rents and Security Agreement dated as December 1, 2006, from the Owner to Freddie Mac, as the same may be amended or supplemented from time to time.

“Remarketing Agent” means the remarketing agent appointed pursuant to the Indenture.

“Remarketing Agent Fee” means the annual fee payable to the Remarketing Agent equal to 0.07% per annum of the aggregate principal amounts of the Bonds Outstanding, payable quarterly on each January 1, April 1, July 1 and October 1, commencing April 1, 2007.

“Remarketing Agreement” means the Remarketing Agreement dated as of December 1, 2006, among the Remarketing Agent and the Owner, or any similar agreement between the Remarketing Agent and the Owner, in each case as originally executed or as it may be amended or supplemented from time to time in accordance with its terms.

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

“Required Completion Date” means January 1, 2009 (or such later date the Credit Facility Provider may consent to in its sole and absolute discretion).

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

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

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

“Responsible Officer” means any officer of the Trustee employed within or otherwise having regular responsibility in connection with the corporate trust department of the Trustee having regular responsibility for the administration of the Bonds.

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

“Revenues” means (a) all payments made with respect to the Bond Mortgage Loan pursuant to the Financing Agreement, the Bond Mortgage Note or the Bond Mortgage (except Principal Reserve Schedule Payments) including all casualty or other insurance benefits and condemnation awards paid in connection therewith (subject in all events to the interests of the Credit Facility Provider therein under the

terms of the Credit Facility and the Reimbursement Agreement), (b) payments made by the Credit Facility Provider pursuant to the Credit Facility and (c) all moneys and securities held by the Trustee in the funds and accounts established pursuant to the Indenture (excluding moneys or securities in the Cost of Issuance Fund, the Principal Reserve Fund, the Rebate Fund and the Bond Purchase Fund), together with all investment earnings thereon.

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

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

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

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

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

“State” means the State of Maryland.

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

“Tender Agent” means the Tender Agent appointed in accordance with the Indenture.

“Tender Notice” means a notice of demand for purchase of Bonds given by any Bondholder pursuant to the Indenture.

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

“Trust Estate” shall have the meaning set forth in the Granting Clauses of the Indenture.

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

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

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

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

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

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

## **APPENDIX B**

### **FORM OF BOND COUNSEL OPINION**

[CLOSING DATE]

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

**\$3,375,000**

**COMMUNITY DEVELOPMENT ADMINISTRATION  
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT  
VARIABLE RATE DEMAND MULTIFAMILY DEVELOPMENT REVENUE BONDS  
(CHARLES LANDING SOUTH APARTMENTS)  
SERIES 2006 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 \$3,375,000 aggregate principal amount of its Variable Rate Demand Multifamily Development Revenue Bonds (Charles Landing South Apartments), Series 2006 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, 2006 (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 C**

### **FORM OF CREDIT ENHANCEMENT AGREEMENT**

**THIS CREDIT ENHANCEMENT AGREEMENT** (this “Agreement”) made and entered into as of December 1, 2006, by and between the **FEDERAL HOME LOAN MORTGAGE CORPORATION** (“Freddie Mac”), a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States, and **MANUFACTURERS AND TRADERS TRUST COMPANY** (the “Trustee”), a state banking corporation, duly organized and existing under the laws of the State of New York, in its capacity as Trustee under a Trust Indenture dated as of December 1, 2006 (the “Indenture”), between the Community Development Administration, Maryland Department of Housing and Community Development (the “Issuer”) and the Trustee.

#### **WITNESSETH:**

**WHEREAS**, the Issuer has issued its Variable Rate Demand Multifamily Development Revenue Bonds (Charles Landing South Apartments), Series 2006B (the “Bonds”) in the original principal amount of \$3,375,000; and

**WHEREAS**, pursuant to the Financing Agreement dated as of December 1, 2006 (the “Financing Agreement”) among the Issuer, the Trustee and Hampstead Charles Landing Partners, L.P., a Maryland limited partnership, (the “Borrower”), the Issuer has agreed to use the proceeds of the sale of Bonds to make a mortgage loan (the “Bond Mortgage Loan”) to the Borrower to finance the Project described therein; and

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

**WHEREAS**, the Borrower’s repayment obligations in respect of the Bond Mortgage Loan are evidenced by a promissory note dated December 21, 2006 (together with all riders and addenda thereto, the “Bond Mortgage Note”) delivered upon the order of the Issuer to the Trustee; and

**WHEREAS**, to secure the Borrower’s obligations under the Bond Mortgage Note, the Borrower has executed and delivered for the benefit of the Trustee a Multifamily Deed of Trust, Assignment of Rents and Security Agreement (the “Bond Mortgage”) with respect to the Project; and

**WHEREAS**, in order to provide credit enhancement for the payment by the Borrower of amounts due under the Bond Mortgage Loan and provide liquidity support for the Bonds, the Borrower has requested that Freddie Mac enter into this Agreement with the Trustee, which permits the Trustee to make (i) draws in an amount equal to Guaranteed Payments with respect to the Bond Mortgage Loan and (ii) liquidity draws to the extent remarketing proceeds are insufficient to pay the Purchase Price of the Bonds (other than Purchased Bonds) while the Bonds bear interest at a Variable Rate; and

**WHEREAS**, to evidence the Borrower’s reimbursement obligations to Freddie Mac for draws made hereunder, the Borrower and Freddie Mac have entered into a Reimbursement and Security Agreement dated as of even date herewith (the “Reimbursement Agreement”); and

**WHEREAS**, to secure the Borrower’s reimbursement obligations to Freddie Mac under the Reimbursement Agreement, the Borrower has executed and delivered for the benefit of Freddie Mac a Multifamily Deed of Trust, Assignment of Rents and Security Agreement dated as of even date herewith (the “Reimbursement Mortgage”) with respect to the Project; and

**WHEREAS**, the rights of the Issuer, the Trustee and Freddie Mac to enforce remedies under the Bond Mortgage, the Reimbursement Mortgage, respectively, are governed by an Intercreditor Agreement dated as of December 1, 2006 among the Issuer, the Trustee, and Freddie Mac; and

**WHEREAS**, CharterMac Mortgage Partners Corp. (the “Servicer”) will act as initial servicer for the Bond Mortgage Loan;

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

## **ARTICLE I**

### **DEFINITIONS AND INTERPRETATION**

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

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

“*Available Amount*” means, at any time, an amount equal to the aggregate principal amount of Bonds Outstanding initially, \$3,375,000 plus an amount equal to the accrued interest on the Bonds Outstanding for up to 35 days at the Maximum Interest Rate during the Variable Period, and up to 189 days at the Reset Rate or the Fixed Rate during any Reset Period or Fixed Rate Period, as the case may be, computed, during the period when the Bonds bear interest at the Variable Rate, on the basis of the actual days elapsed and a 365- or 366-day year, and computed, during the period when the Bonds bear interest at a Reset Rate or Fixed Rate, on the basis of a 360-day year of twelve (12) thirty (30) day months plus an amount equal to the accrued but unpaid Issuer Fee, in each instance as reduced by that amount, if any, previously provided by Freddie Mac to the Trustee for payment of the Guaranteed Payment or to enable the Trustee to purchase Purchased Bonds, such reduction to be in an amount equal to (i) in the case of payment of a Guaranteed Payment, 100% of the amount of such payment and (ii) in the case of the purchase of Purchased Bonds, 100% of the principal amount of such Purchased Bonds plus the accrued interest, if any, paid with respect to such Purchased Bonds. Following any provision of funds under this Agreement, the amount provided (and the amount by which the Available Amount is reduced) shall be reinstated only as provided in Sections 3.1(a) (iv) and 3.1(b) (iv).

“*Bonds*” means the Issuer’s Variable Rate Demand Multifamily Development Revenue Bonds (Charles Landing South Apartments), Series 2006B issued in the original principal amount of \$3,375,000.

“*Bond Mortgage*” means the Multifamily Deed of Trust, Assignment of Rents and Security Agreement dated as of December 1, 2006 together with all riders and addenda thereto, from the Borrower granting a first priority mortgage and security interest in the Project to the Issuer to secure the repayment of the Bond Mortgage Loan which Bond Mortgage has been assigned by the Issuer to the Trustee pursuant to the Indenture.

*“Bond Mortgage Loan”* means the mortgage loan in the original amount of \$3,375,000 made by the Issuer to the Borrower pursuant to the Financing Agreement, as evidenced by the Bond Mortgage Note and secured by the Bond Mortgage.

*“Bond Mortgage Note”* means the promissory note from the Borrower to the Issuer in the original principal amount of \$3,375,000, including all riders and addenda thereto, evidencing the Borrower’s obligation to repay the Bond Mortgage Loan, as the same may be amended, modified or supplemented from time to time, which promissory note has been endorsed by the Issuer to the Trustee pursuant to the Indenture.

*“Bond Mortgage Payment Date”* means (i) each Interest Payment Date (as defined in the Indenture) while the Bond Mortgage Loan is outstanding, commencing January 2, 2007 and (ii) any other date on which principal of the Bond Mortgage Note is paid.

*“Borrower”* means Hampstead Charles Landing Partners, L.P., a Maryland limited partnership, and any permitted successor to or assignee of its rights and obligations under the Bond Financing Documents.

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

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

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

*“Draw Request”* shall have the meaning set forth in Section 3.1(a)(i) of this Agreement.

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

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

*“Freddie Mac Credit Enhancement Payment”* means the amount required to be paid by Freddie Mac to the Trustee with respect to any Guaranteed Payment pursuant to Section 3.1(a)(i) or with respect to any payment of Purchase Price for tendered Bonds pursuant to Section 3.1(b)(i).

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

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

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

*“Indenture”* means that certain Trust Indenture dated as of December 1, 2006 between the Issuer and the Trustee pursuant to which the Bonds are issued and secured, as the same may be amended, supplemented or restated from time to time.

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

*“Issuer”* means the Community Development Administration, Maryland Department of Housing and Community Development, and its successors.

*“Issuer Fee”* means an amount equal to 0.25% of the outstanding principal balance of the Bond Mortgage Loan payable by the Borrower to the Issuer.

*“Liquidity Commitment”* means the obligation of Freddie Mac to provide funds to the Trustee, as provided in Section 3.1(b) of this Agreement, to enable the Trustee to purchase, on behalf of the Borrower, tendered Bonds which have not been remarketed by the Remarketing Agent pursuant to the Remarketing Agreement and the Indenture and, therefore, with respect to which there are no proceeds of remarketing.

*“Liquidity Commitment Termination Date”* means the Business Day immediately following the earliest of (a) the maturity date of the Bonds, (b) the date on which the interest rate on the Bonds is converted to a Fixed Rate to the maturity date of the Bonds, (c) the effective date of an Alternate Credit Facility which replaces this Agreement or (d) the last day of the term of this Agreement.

*“Liquidity Use Fee”* shall have the meaning set forth in the Reimbursement Agreement.

*“Maximum Interest Rate”* means twelve percent (12.00%) per annum.

*“Notice”* means any notice delivered by the Trustee to Freddie Mac pursuant to Section 3.1(a)(i), in the form set forth in *Exhibit A-1* hereto, or Section 3.1(b)(i), in the form set forth in *Exhibit A-2* hereto.

*“Pledge Agreement”* means the Pledge, Security and Custody Agreement dated as of December 1, 2006 between the Borrower and the Custodian, as the same may be amended, supplemented or restated from time to time.

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

*“Purchased Bond”* means any Bond during the period from and including the date of its purchase by the Trustee on behalf of the Borrower with amounts provided by Freddie Mac under this Agreement, to, but excluding, the date on which such Bond is remarketed to any person other than Freddie Mac, the Borrower, any general partner, member or guarantor of the Borrower or the Issuer.

*“Purchase Price,”* with respect to any Bond required to be purchased pursuant to Sections 2.02, 2.13, 10.01 or 10.02 of the Indenture, means the principal amount of such Bond plus interest accrued thereon to the Settlement Date and with respect to any Bond to be purchased pursuant to Section 3.06 of the Indenture means the principal amount of each Bond plus any redemption premium due thereon plus interest accrued to the Settlement Date. No portion of the Purchase Price consisting of any redemption premium shall be payable from funds drawn under this Agreement.

“*Reimbursement Agreement*” means the Reimbursement and Security Agreement dated as of December 1, 2006 between the Borrower and Freddie Mac, as the same may be amended, supplemented or restated from time to time.

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

|                                | <b>Interest Component</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>Principal Component</b>                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Required Bond Mortgage Payment | <p>(i) The regularly scheduled payment of interest due on the unpaid principal balance of the Bond Mortgage Loan, adjusted solely (a) on the first day of each Variable Interest Accrual Period, (b) on any Reset Adjustment Date or on the Conversion Date, and (c) otherwise as provided in Section 3.4(b);</p> <p>(ii) upon optional or mandatory prepayment of the Bond Mortgage Loan, all accrued and unpaid interest on the amount prepaid;</p> <p>(iii) on the maturity date or upon acceleration of the Bond Mortgage Note, all accrued and unpaid interest thereon; and</p> <p>(iv) the accrued but unpaid Issuer Fee.</p> | <p>(i) The regularly scheduled payment of principal, on the Bond Mortgage Note, if any,</p> <p>(ii) upon optional or mandatory prepayment of the Bond Mortgage Loan, the principal amount of the Bond Mortgage Note being prepaid and</p> <p>(iii) on the maturity date or upon acceleration of the Bond Mortgage Note, the unpaid principal balance of the Bond Mortgage Note.</p> |
| Guaranteed Payment             | The Interest Component of the corresponding Required Bond Mortgage Payment, <i>less</i> interest accrued on Purchased Bonds.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <p>(i) The regularly scheduled payment of principal, on the Bond Mortgage Note, if any (ii) upon optional or mandatory prepayment of the Bond Mortgage Loan, the principal amount of the Bond Mortgage Note being prepaid and (iii) on the maturity date or upon acceleration of the Bond Mortgage Note, the unpaid principal balance of the Bond Mortgage Note.</p>                |

For the purpose of this Agreement only, regularly scheduled monthly deposits to the Principal Reserve Fund, as set forth in the Principal Reserve Schedule attached as an exhibit to the Reimbursement Agreement, or other escrows required by the Bond Mortgage or the Reimbursement Mortgage are not included in the Required Bond Mortgage Payment or Guaranteed Payment.

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

“*State*” means the State of Maryland.

*“Termination Date”* means the first to occur of (a) the date the Bonds shall have been paid in full, (b) the date the Bonds shall have been purchased in accordance with the provisions of Section 3.2 of this Agreement, (c) December 6, 2036, (d) the date on which the Trustee, after having received sufficient funds to redeem all of the Bonds Outstanding in accordance with the terms of the Indenture, shall have released the lien of the Indenture and shall have paid to Freddie Mac all amounts required to be paid under the Indenture, the Financing Agreement, the Reimbursement Agreement, this Agreement and any other Bond Financing Document, and (e) the day immediately following the effective date of any Alternate Credit Facility.

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

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

## ARTICLE II

### REPRESENTATIONS

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

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

(b) This Agreement is a valid and binding obligation of Freddie Mac, the making and performance of which by Freddie Mac have been duly authorized by all necessary corporate and other action and neither the consummation of the transactions contemplated hereby nor the fulfillment of or compliance with the terms and conditions of this Agreement by Freddie Mac conflicts with, results in a breach of, or is a default under, in any material respect, any of the terms, conditions or provisions of any legal restriction or any instrument to which Freddie Mac is now a party or by which Freddie Mac is bound, or constitutes a violation of any law regulating the affairs of Freddie Mac or internal governing documents of Freddie Mac, and will not result in the creation of any prohibited encumbrance upon any of its assets.

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

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

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

(c) It has furnished wire instructions, which are correctly set forth in Section 5.5, to Freddie Mac for Freddie Mac to make payments under this Agreement by wire transfer and will advise Freddie Mac, in writing, of any change to such instructions utilizing the form attached hereto as **Exhibit C**.

### ARTICLE III

#### CREDIT ENHANCEMENT AND LIQUIDITY

##### **Section 3.1     *Credit Enhancement Payments and Liquidity Payments.***

(a) (i) On each Bond Mortgage Payment Date, a portion of the Available Amount in an amount not to exceed the aggregate principal amount of the Bonds Outstanding (initially, \$3,375,000) is available for the payment of the Principal Component of the Guaranteed Payment and a portion of the Available Amount in an amount not to exceed the sum of (x) accrued interest on the Bonds Outstanding for up to 35 days at the Maximum Interest Rate during the Variable Period and up to 189 days at the Reset Rate or the Fixed Rate during any Reset Period or Fixed Rate Period, as the case may be (calculated as provided in the definition of Available Amount) and (y) the accrued but unpaid Issuer Fee, is available for the payment of the Interest Component of the Guaranteed Payment, subject to reduction and reinstatement as provided in Section 3.1(a)(iv). Funds shall be made available to the Trustee for such payment against delivery by the Trustee of a demand for payment (each a "Draw Request"). Until Freddie Mac provides the Trustee with written or electronic notice to the contrary, the Trustee shall deliver Draw Requests to Freddie Mac by facsimile transmission, immediately confirmed by overnight delivery service, of a Notice, in the form set forth in **Exhibit A-1** hereto, to Freddie Mac at (703) 714-3273 (or to such other facsimile number or using such other means of electronic or telephonic communication as Freddie Mac shall designate in writing); provided that Freddie Mac may waive in writing the requirement of confirmation by overnight delivery service. If a Draw Request is made in strict conformity with the terms and conditions hereof, payment shall be made to the Trustee in immediately available funds (A) if such Draw Request is received by Freddie Mac by 12:00 Noon (Washington, D.C. time) on any Business Day, not later than 3:00 p.m. (Washington, D.C. time) on the next Business Day, and (B) if such Draw Request is so received after 12:00 Noon (Washington, D.C. time) on any Business Day, not later than 3:00 p.m. (Washington, D. C. time) on the second succeeding Business Day.

(ii) Notwithstanding any other provision of this Agreement, Freddie Mac shall have no obligation under any circumstance to make a Freddie Mac Credit Enhancement Payment or any other payment under this Agreement with respect to any prepayment premium or other prepayment charge payable on the Bond Mortgage Loan or due under the Bond Mortgage Note (or which may in any way relate to the Bonds, including any redemption premium on the Bonds), any reserve funds that are funded from Bond proceeds, any negative arbitrage or

investment losses with respect to reserve amounts held by the Trustee under the Indenture or with respect to the Cap Fee Escrow (as such term is defined in the Reimbursement Agreement), and Freddie Mac's obligation with respect to the payment of interest under this Section is limited to the Interest Component of the related Guaranteed Payment. In no event shall Freddie Mac be obligated to make a payment under Section 3.1(a) in excess of the Guaranteed Payment. The provisions of this Paragraph (a)(ii) shall in no way affect the obligation of Freddie Mac to make payment of principal to the extent elsewhere provided in this Section.

(iii) To the extent there are Purchased Bonds, Freddie Mac shall have no obligation under any circumstance to make a Freddie Mac Credit Enhancement Payment with respect to that portion of the Required Bond Mortgage Payments allocable to amounts owed on Purchased Bonds.

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

(b) (i) If on any Settlement Date, the Remarketing Agent is unable to remarket any or all of the Bonds tendered for purchase on such Settlement Date, Freddie Mac shall be obligated to pay to the Trustee in immediately available funds, not later than 3:00 p.m., Washington, D.C. time, on the Settlement Date, the Purchase Price of such tendered Bonds. The obligation of Freddie Mac to make such payment is subject to the condition precedent that Freddie Mac shall have timely received from the Trustee or the Tender Agent, as the case may be, and the Remarketing Agent, all notices required to be delivered to Freddie Mac pursuant to Section 10.03 of the Indenture and a Notice in the form of Exhibit A-2 pursuant to this Agreement no later than 11:00 a.m. Washington, D.C. time, on such Settlement Date. In no event shall the amount payable pursuant to this Section 3.1(b) exceed the Available Amount, nor shall any amounts payable hereunder be used to purchase Purchased Bonds.

(ii) Any amount provided by Freddie Mac on a Settlement Date which is not used for such purpose or set aside for any undelivered Bonds shall be repaid immediately by the Trustee to Freddie Mac in immediately available funds.

(iii) The Trustee shall receive and hold all funds provided by Freddie Mac under this Agreement on account of the Purchase Price of Bonds in trust for the benefit of Freddie Mac and shall not disburse such funds to the Tender Agent until the tendered Bonds have been received by the Tender Agent. The Trustee shall, on the Settlement Date, on behalf of the Borrower, cause Purchased Bonds to be registered in the name of the Custodian, until remarketed or redeemed, subject to the security interest provided for in Section 3.1(b)(v) of this Agreement and the Pledge Agreement.

(iv) The obligation of Freddie Mac to pay the Purchase Price of tendered Bonds shall be reinstated (a) automatically, when and to the extent that (1) Freddie Mac has received reimbursement in immediately available funds for the amount provided pursuant to this

Agreement to pay all or a portion of the Purchase Price of tendered Bonds or has received written confirmation from the Tender Agent that the Tender Agent has received immediately available funds which it will immediately remit to Freddie Mac as reimbursement for the amount provided to pay all or a portion of the Purchase Price of tendered Bonds, and (2) the Tender Agent has delivered to Freddie Mac, by facsimile transmission to Multifamily Loan Accounting or to such other office or Freddie Mac employee as Freddie Mac shall designate by written notice to the Tender Agent (with confirmation of the facsimile transmission by (A) telephone call to Multifamily Loan Accounting or to such other office or Freddie Mac employee as Freddie Mac shall designate by written notice to the Tender Agent and (B) concurrently mailed original by first class mail, postage fully prepaid, to Multifamily Loan Accounting or to such other office or Freddie Mac employee as Freddie Mac shall designate by written notice to the Tender Agent), a certificate in the form attached to this Agreement as **Exhibit B**, appropriately completed and executed by an officer of the Tender Agent or (b) at such time as and to the extent that Freddie Mac, in its discretion, advises the Trustee in writing that such reinstatement shall occur, it being understood that Freddie Mac shall have no obligation to grant any such reinstatement except as provided in clause (a).

(v) Pursuant to the Pledge Agreement, Freddie Mac shall be deemed to have a security interest (but no beneficial ownership interest) in Purchased Bonds and in the proceeds of Purchased Bonds including any proceeds upon a remarketing of Purchased Bonds.

(vi) If, following an optional or mandatory tender of Bonds in accordance with Section 10.01 or Section 10.02 of the Indenture, the tendered Bonds have not been remarketed, but have been purchased by the Trustee on behalf of the Borrower with funds provided by Freddie Mac to the Trustee under Section 3.1(b) of this Agreement and such Purchased Bonds have not been remarketed as of the ninetieth (90th) day following the date of such purchase, Freddie Mac shall have the right, at any time following such ninetieth (90th) day and provided that (a) the Bonds have not then been remarketed and (b) Freddie Mac has not then been reimbursed in full for the amounts advanced under this Agreement or, without regard to such reimbursement, Freddie Mac has not then been paid in full all fees and other amounts due to Freddie Mac, all in accordance with the Reimbursement Agreement, to (1) declare an Event of Default under (and as defined in) the Reimbursement Agreement or (2) terminate this Agreement and direct the Trustee to redeem the Bonds in accordance with Section 3.01(b)(ii) of the Indenture. In any of such events Freddie Mac shall pay the redemption price of all Bonds (other than Purchased Bonds) Outstanding.

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

(d) Amounts held in the Revenue Fund and the Bond Fund established under the Indenture (representing Freddie Mac Credit Enhancement Payments, investment earnings thereon and other amounts permitted under the Indenture to be deposited in said Funds) shall be invested and reinvested by the Trustee, with the prior written consent of Freddie Mac, in accordance with the provisions of Section 4.08 of the Indenture. In the absence of Freddie Mac's prior written consent, the Trustee shall invest such amounts in Qualified Investments of the type described in clause (a), (b) or (g) of the definition of such term contained in the Indenture, which Qualified Investments in all events shall mature or be redeemable at par on the earlier of (a) six months from the date of investment (or such shorter period as may be required by the Indenture) or (b) the date such moneys are needed for the purposes for which they are held. Notwithstanding the foregoing or anything else contained in this Agreement or in the Indenture, Freddie Mac shall have no obligation to the Issuer, the Trustee or any holder of any Bond with respect to the failure

to receive any payment under any investment made by the Trustee or any investment loss with respect to any such investment (irrespective of whether or not Freddie Mac shall have consented to such investment).

(e) This Agreement shall become effective upon its execution and delivery by Freddie Mac and the Trustee and shall cease to be in effect on the Termination Date. On the Liquidity Commitment Termination Date following the payment of any amounts due hereunder, (a) all obligations of Freddie Mac under Section 3.1(b) shall terminate and (b) all provisions of this Agreement relating to Freddie Mac's Liquidity Commitment shall cease to be applicable.

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

**Section 3.2 *Right of Freddie Mac to Cause Redemption, Mandatory Tender or Acceleration of Bonds.***

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

(b) If Freddie Mac pays the Purchase Price of tendered Bonds in accordance with Section 3.06 of the Indenture, subsequent to its date of purchase Freddie Mac or an entity designated by Freddie Mac in accordance with Section 3.06 of the Indenture, as the case may be, may on any day elect:

(i) to present all or a portion of the Bonds (other than Purchased Bonds) to the Trustee for cancellation pursuant to Section 3.07 of the Indenture;

(ii) to direct the Trustee to redeem all or a portion of the Bonds (other than Purchased Bonds) pursuant to Section 3.01(a)(ii) of the Indenture from the sources identified in that Section, in which case all or such portion of such Bonds shall be redeemed pursuant to Section 3.01(a)(ii) of the Indenture; or

(iii) upon fifteen days' prior notice to the Trustee and the Issuer, to deliver to the Trustee a written undertaking by Freddie Mac confirming its continuing obligations under this Agreement upon a remarketing of the Bonds pursuant to Section 10.10(d) of the Indenture.

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

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

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

**Section 3.4 *Adjustments to Required Bond Mortgage Payments and Guaranteed Payments.***

(a) During a period when the Bonds bear interest at a Variable Rate, the Interest Component of the Required Bond Mortgage Payments and the Guaranteed Payment will adjust to reflect interest rate changes on the Bonds.

(b) In connection with any partial principal prepayments of amounts owing under the Bond Mortgage Note, the Interest Component of the Required Bond Mortgage Payment shall be adjusted only upon the redemption of Bonds in the amount of such principal prepayment.

## **ARTICLE IV**

### **FREDDIE MAC REIMBURSEMENTS**

**Section 4.1 *Reimbursements.***

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

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

## ARTICLE V

### COVENANTS

**Section 5.1     *Annual Reports.*** Freddie Mac shall submit to the Trustee, upon request, at any time after its issuance, copies of Freddie Mac's annual information statement prepared for such fiscal year, together with (unless included in such statement) copies of any audited financial statements prepared in connection with such statement. Such request shall be made in writing to Freddie Mac, Department of Shareholder Relations, 8200 Jones Branch Drive, McLean, Virginia 22102, or by telephone at (800) 424-5401 between the hours of 8:45 a.m. and 5:15 p.m. Washington, D.C. time on any Business Day. The annual information statement is currently published on or about March 31 of each year.

**Section 5.2     *Notice of Certain Events.*** The Trustee shall promptly give Freddie Mac notice of (i) the occurrence of any Event of Default under the Indenture or any event which, with the passage of time or service of notice, or both, would constitute an Event of Default thereunder of which the Trustee has actual knowledge, specifying the action taken or proposed to be taken with respect to such event, (ii) all notices required under Article X of the Indenture to be provided to Freddie Mac in connection with the remarketing of Bonds and (iii) each proposed redemption of Bonds and the amount thereof, in writing, not later than 20 days (or as soon as practicable after receiving notice or other information that such a redemption is expected to occur, if such proposed redemption is to be effected with less than 20 days' prior notice in accordance with the Indenture) prior to such redemption, other than scheduled mandatory sinking fund redemptions.

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

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

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

Manufacturers and Traders Trust Company  
ABA Routing Number: [ ]  
Account Number: [ ]  
FBO Account Number: [ ]  
Reference: [ ]

## ARTICLE VI

### DEFAULT AND REMEDIES

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

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

(b)     Failure by Freddie Mac to perform or observe any of its covenants, agreements or obligations hereunder, except a failure described in (a) above, if the same shall remain uncured for a period of 45 days after written notice of such failure shall have been given by the Trustee to Freddie Mac; provided, however, that if such default is curable but requires acts to be done or conditions to be remedied which, by their nature, cannot be done or remedied within such 45-day period, no Event of Default shall be deemed to have occurred if Freddie Mac shall commence such acts or remedies within such 45-day period and thereafter, in the opinion of the Trustee, diligently pursue the same to completion; or

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

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

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

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

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

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

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

## **ARTICLE VII**

### **MISCELLANEOUS PROVISIONS**

**Section 7.1     *Interest of Bondholders.*** The payments to be made by Freddie Mac hereunder are to be pledged by the Trustee to secure payment of the Purchase Price, principal or redemption price of and interest on the Bonds; provided that in no event shall Freddie Mac be obligated to pay the Purchase Price, principal or redemption price of and interest on Purchased Bonds.

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

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

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

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

with a copy to:

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

with a copy to:

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

To the Trustee: Manufacturers and Traders Trust Company  
Mail Code 101-591  
25 South Charles Street  
Baltimore, MD 21201  
Attention: Corporate Trust Department  
Facsimile: (410) 244-4236  
Telephone: (410) 545-2066

Any of such addresses may be changed at any time upon written notice of such change sent, as provided above in this Section, to the other party.

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

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

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

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

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

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

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

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

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

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

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

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

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

**FEDERAL HOME LOAN MORTGAGE  
CORPORATION**

By:

Name:

Title:

[Freddie Mac Signature Page to Charles Landing Credit Enhancement Agreement]

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

By:

Name:

Title:

[Trustee's Signature Page to Charles Landing Credit Enhancement Agreement]

**EXHIBIT A-1**

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

Federal Home Loan Mortgage Corporation  
8100 Jones Branch Drive  
McLean, VA 22102  
Attention: Multifamily Loan Accounting  
Facsimile: (703) 714-3273

Project Name: Charles Landing South Apartments

Related Bonds: \$3,375,000  
Community Development Administration  
Maryland Department of Housing and Community Development  
Variable Rate Demand Multifamily Development Revenue Bonds  
(Charles Landing South Apartments), Series 2006B

Loan No.: \_\_\_\_\_

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

**CERTIFICATE FOR THE PAYMENT OF GUARANTEED PAYMENT  
under Section 3.1(a)(i) of Credit Enhancement Agreement between  
Freddie Mac and the undersigned, as Trustee, dated as of December  
1, 2006 relating to the Bond Mortgage Loan securing the Bonds  
referenced above**

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

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

**NOTICE** is hereby given that on the Bond Mortgage Payment Date set forth above, a Freddie Mac Credit Enhancement Payment in the amount equal to the Guaranteed Payment, of which amount (1) \$ \_\_\_\_\_ represents the Interest Component of which \$ \_\_\_\_\_ represents interest payable on the Bond Mortgage Loan and (if applicable) \$ \_\_\_\_\_ represents the portion of the Issuer Fee that is currently due but has not yet been paid by or on behalf of Hampstead Charles Landing Partners, L.P. as the Borrower, and (2) \$ \_\_\_\_\_ represents the Principal Component, is due. The amount of the Guaranteed Payment has been determined pursuant to the above-referenced Credit Enhancement Agreement.

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

**Manufacturers and Traders Trust Company**, as Trustee

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

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

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

**EXHIBIT A-2**

**FORM OF DEFICIENCY NOTICE UNDER SECTION 3.1(b)(i)**

Federal Home Loan Mortgage Corporation  
8100 Jones Branch Drive  
McLean, VA 22102  
Attention: Multifamily Loan Accounting  
Facsimile: (703) 714-3273

Project Name: Charles Landing South Apartments

Related Bonds: \$3,375,000  
Community Development Administration  
Maryland Department of Housing and Community Development  
Variable Rate Demand Multifamily Development Revenue Bonds  
(Charles Landing South Apartments), Series 2006B

Loan No.: \_\_\_\_\_

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

**DEFICIENCY NOTICE**  
**under Section 3.1(b)(i) of Credit Enhancement Agreement between**  
**Freddie Mac and the undersigned, as trustee, dated as of December**  
**1, 2006 relating to the Bond Mortgage Loan securing the Bonds**  
**referenced above**

Settlement Date: \_\_\_\_\_, \_\_\_\_

Tendered Bonds for Purchase: \$ \_\_\_\_\_

Remarketing Proceeds Held by Tender Agent: ( \_\_\_\_\_ )

**Amount of "REQUIRED PURCHASE PRICE**

**PAYMENT DEFICIENCY":** \$ \_\_\_\_\_

**CREDIT ENHANCEMENT PAYMENT DATE:** \_\_\_\_\_, \_\_\_\_

**NOTICE** is hereby given that, on the Settlement Date set forth above, there exists a Required Purchase Price Payment Deficiency in the amount set forth above. As a result of said Required Purchase Price Payment Deficiency, a Freddie Mac Credit Enhancement Payment in an amount equal to the Required Purchase Price Payment Deficiency is due on the Credit Enhancement Payment Date set forth above. The amount of the Required Purchase Price Payment Deficiency and the Credit Enhancement Payment Date have been determined pursuant to the above-referenced Credit Enhancement Agreement.

**REQUEST** is hereby made for payment by Freddie Mac of such Freddie Mac Credit Enhancement Payment at or prior to 3:00 p.m., Washington, D.C. time on the Credit Enhancement Payment Date.

**Manufacturers and Traders Trust Company, as Trustee**

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

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

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

## **EXHIBIT B**

### **CERTIFICATE FOR REINSTATEMENT OF AVAILABLE AMOUNT**

To: Federal Home Loan Mortgage Corporation  
8100 Jones Branch Drive  
McLean, Virginia 22102  
Attention: Multifamily Loan Accounting

**\$3,375,000**

**COMMUNITY DEVELOPMENT ADMINISTRATION  
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT  
VARIABLE RATE DEMAND MULTIFAMILY DEVELOPMENT REVENUE BONDS  
(CHARLES LANDING SOUTH APARTMENTS), SERIES 2006B**

The undersigned, a duly authorized officer of Manufacturers and Traders Trust Company, as Tender Agent (the "Tender Agent") under the Trust Indenture (the "Indenture") dated as of December 1, 2006, between the Community Development Administration, Maryland Department of Housing and Community Development and Manufacturers and Traders Trust Company, as Trustee, pursuant to which the above-referenced Bonds have been issued, certifies as follows (the capitalized terms used in this Certificate and not defined in this Certificate shall have the meanings given to those terms in the Indenture or the Credit Enhancement Agreement (the "Credit Enhancement Agreement"), dated as of December 1, 2006, between Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Trustee, as applicable):

1. 1. The Tender Agent is the Tender Agent under the Indenture for the holders of the Bonds.
2. 2. On the date of this Certificate \$\_\_\_\_\_ aggregate principal amount of Bonds are being sold to purchasers upon a remarketing of such Bonds by the Remarketing Agent. All of such Bonds were previously purchased with moneys provided by Freddie Mac under the Credit Enhancement Agreement in the total amount of \$\_\_\_\_\_, of which \$\_\_\_\_\_ was provided in respect of principal of the Purchased Bonds and \$\_\_\_\_\_ was provided in respect of accrued interest on the Purchased Bonds. [Prior to the date of this Certificate there has been no reinstatement of the Available Amount with respect to amounts provided by Freddie Mac.]
3. 3. The Tender Agent has received for immediate payment to [the Trustee for the account of] Freddie Mac in respect of the Bonds described in paragraph 2 of this Certificate the total amount of \$\_\_\_\_\_, consisting of \$\_\_\_\_\_ from the Remarketing Agent and \$\_\_\_\_\_ from the Borrower. Such total amount is being paid to Freddie Mac at the above address with reference to the Credit Enhancement Agreement, as reimbursement for amounts provided by Freddie Mac under the Credit Enhancement Agreement.
4. 4. Of the total amount referred to in paragraph 3 of this Certificate, \$\_\_\_\_\_ represents the aggregate principal amount of Bonds described in paragraph 2 of this Certificate and \$\_\_\_\_\_ represents accrued interest on such Bonds.
5. 5. Payment of the total amount referred to in paragraph 3 of this Certificate, together with other amounts previously paid to Freddie Mac by or on behalf of the Borrower, represents reimbursement for the entire outstanding balance of all amounts provided in respect of the Bonds described in paragraph 2 of this Certificate. The foregoing certification is made in reliance upon representations by the Borrower and/or Freddie Mac to the Tender Agent that, upon payment of such

amounts, Freddie Mac will be fully reimbursed for the amount provided under the Credit Enhancement Agreement.

6. Pursuant to Section 3.1(b)(iv) of the Credit Enhancement Agreement, the Available Amount shall be automatically reinstated by an amount equal to \$\_\_\_\_\_ (which does not exceed the aggregate amount provided by Freddie Mac under the Credit Enhancement Agreement to purchase such Bonds), of which \$\_\_\_\_\_ (which does not exceed the aggregate amount provided by Freddie Mac under the Credit Enhancement Agreement as principal) is principal and \$\_\_\_\_\_ (which does not exceed the aggregate amount provided by Freddie Mac under the Credit Enhancement Agreement as interest) is interest.

7. If this Certificate is initially presented by telex or telecopier, the original of this Certificate on the Tender Agent's letterhead manually signed by one of its officers is being mailed to you concurrently by first class United States mail.

IN WITNESS WHEREOF, the Tender Agent has executed and delivered this Certificate this \_\_\_\_\_  
day of \_\_\_\_\_, \_\_\_\_.

**MANUFACTURERS AND TRADERS  
TRUST COMPANY**, as Tender Agent

By:

Name:

Title:

*Freddie Mac Internal Use:*

| Loan Accounting Approval | Date | MF Operations Approval | Date |
|--------------------------|------|------------------------|------|
|--------------------------|------|------------------------|------|

**Bond Property Name:** \_\_\_\_\_

\***Bank Name:** \_\_\_\_\_

\*Bank City: \_\_\_\_\_

\*Bank State: \_\_\_\_\_

\*ABA Number:

\*Account Number:

Further Credit Instructions:

**Name of Final Credit Party:**\_\_\_\_\_

**Final Credit Party Account Number:**\_\_\_\_\_

C-25

Trustee Authorized Signature:

The undersigned hereby represents and warrants to Freddie Mac that he/she is an Authorized Officer of the Trustee and has the ability to approve or sign wire requests.

\_\_\_\_\_  
Trustee Name

\_\_\_\_\_  
Signatory Printed Name

(     )  
\_\_\_\_\_  
Signatory Phone Number

\_\_\_\_\_  
Signature

(     )  
\_\_\_\_\_  
Date

\_\_\_\_\_  
Title

\* This form is to be delivered to: Freddie Mac Multifamily, STA Manager, 8100 Jones Branch Drive, Mail Stop B4Q, McLean, VA 22102 via overnight mail service.





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