

**NEW ISSUE
BOOK-ENTRY ONLY**

RATING: MOODY'S: Aaa/VMIG 1
(See "RATINGS" herein)

In the opinion of Hawkins, Delafield & Wood, as Bond Counsel, assuming continuing compliance with certain tax covenants described herein, under existing law, interest on the Bonds is excludable from gross income for Federal income tax purposes under 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 is a "substantial user" of the facilities financed with the Bond proceeds or a "related person", both within the meaning of Section 147(a) of the Code. In addition, interest on the Bonds is treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. In addition, in the opinion of Bond Counsel, under existing law, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, 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. See "Tax Matters" herein.

\$9,800,000
COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT
Multifamily Development Revenue Bonds
(Parklane Apartments Project) Series 2001 C

Dated: Date of Delivery

Price: 100%

Due: February 15, 2034

The above-captioned Series 2001 C Bonds (the "Bonds") are being issued by 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, in fully registered form only and, when issued and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Ownership interests in the Bonds may be purchased only in book-entry form in initial denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000. See "THE BONDS - DTC and Book Entry" herein.

The Bonds are being issued by the Administration to provide funding for a loan (the "Loan") to be made by the Administration to the Borrower (as defined herein), for the purpose of financing costs of acquisition, rehabilitation and equipping of the multifamily rental housing apartment project described herein (the "Project") located in Gaithersburg, Maryland to be occupied, to the extent required by federal tax law or the Administration, by persons or families of low income. See "THE PROJECT AND THE PRIVATE PARTICIPANTS" herein.

The Bonds are being issued pursuant to a Trust Indenture, dated as of July 1, 2001 (the "Indenture"), between the Administration and Allfirst Bank, Baltimore, Maryland (the "Trustee"). Payment of principal and interest on the Bonds will be secured, to the extent described herein, by the Loan and by certain revenues and assets pledged under the Indenture as described herein. In addition, credit enhancement and liquidity support for the Bonds will be provided through a Direct Pay Irrevocable Transferable Credit Enhancement Instrument (the "Credit Enhancement Instrument") issued by



The Credit Enhancement Instrument will expire on February 20, 2034, unless earlier terminated in accordance with its terms. Fannie Mae's obligations to make advances to the Trustee upon the proper presentation of documents which conform to the terms and conditions of the Credit Enhancement Instrument are absolute, unconditional and irrevocable.

The Bonds are being issued as variable rate obligations which will bear interest from their date of issue to and including July 17, 2001 at a rate per annum that will be set forth in a certificate of the Administration delivered on the date of issue of the Bonds. Thereafter, the Bonds will bear interest at the Weekly Variable Rate, as determined from time to time by Bear, Stearns & Co. Inc. (the "Remarketing Agent") payable on the fifteenth day of each month, commencing on the fifteenth day of August, 2001, unless the method for determining the interest rate on the Bonds is changed to a different method or the interest rate is converted to a fixed rate to maturity. During the period that the Bonds bear interest at the Weekly Variable Rate, any Bond will be purchased upon demand by the owner thereof, at a purchase price of par plus accrued interest, on any Business Day, upon seven (7) days' notice and delivery of a tender notice with respect to such Bond to Allfirst Bank, Baltimore, Maryland (the "Tender Agent"), as described herein. The Bonds will be subject to mandatory tender for purchase upon a change in the method of determining the interest rate on such Bonds and in certain other circumstances as described herein.

If the Conditions to Conversion (set forth in the Construction Phase Financing Agreement, dated as of July 1, 2001 (the "Construction Phase Financing Agreement"), among Fannie Mae, Bank of America, N.A. (the "Construction Lender") and Berkshire Mortgage Finance Limited Partnership (the "Loan Servicer") and relating primarily to completion of construction of the Project and its stabilization at a specified level of occupancy) of the Loan from the Construction Phase to the Permanent Phase (as each such term is defined herein) are not satisfied on or before the Termination Date specified in the Construction Phase Financing Agreement such that the Loan converts to the Permanent Phase on or before the Termination Date, the Bonds will be subject to mandatory redemption, in whole, at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest on the Bonds to the redemption date without premium. The redemption price of any such mandatory redemption in whole will be paid with funds provided under the Credit Enhancement Instrument. If the Conditions to Conversion are timely satisfied (or waived by Fannie Mae), the Bonds will not be subject to mandatory redemption for failure of Conversion (as defined herein) to occur. There can be no assurance that Conversion will occur. If the principal amount of the Loan is prepaid in part by the Borrower prior to and as a Condition to Conversion of the Loan from the Construction Phase to the Permanent Phase to reduce the principal amount of the Loan to an amount less than the principal amount of the Bonds in order to satisfy Fannie Mae's underwriting requirements, the Bonds will be subject to corresponding mandatory redemption, in part, in an amount equal to such prepayment.

This Official Statement describes the Bonds only while the Bonds bear interest at a Weekly Variable Rate.

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

The Bonds are special obligations of the Administration, payable solely from the Trust Estate pledged therefor under the Indenture. The Administration has no taxing power. The Bonds do not constitute a debt of the State of Maryland, any political subdivision thereof, the Administration or the Department, or a pledge of the faith, credit or taxing power of the State, any such political subdivision, the Administration or the Department.

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

The Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of validity by Hawkins, Delafield & Wood, Washington, D.C., Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Administration by an Assistant Attorney General of the State of Maryland as Counsel to the Department, for Fannie Mae by its Legal Department and by Arent Fox Kintner Plotkin & Kahn, PLLC, Washington, D.C., for the Borrower by Swidler Berlin Shereff Friedman, LLP, Washington, D. C. and for the Underwriters by Holland & Knight LLP, 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 July 11, 2001.

Bear, Stearns & Co. Inc.

Ferris, Baker Watts
Incorporated

Legg Mason Wood Walker
Incorporated

UBS PaineWebber Inc.

July 5, 2001

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

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

This Official Statement, including the cover page hereof, is provided for the purpose of setting forth information in connection with the issuance and sale of the Bonds. This Official Statement speaks only as of its date, and the information herein is 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 affairs of the Administration, the Borrower or Fannie Mae since the date hereof. Information in this Official Statement under the heading "THE PROJECT AND THE PRIVATE PARTICIPANTS" has been provided solely by the Borrower.

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

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

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

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**Official Statement
relating to
Community Development Administration
Maryland Department of Housing and Community Development**

\$9,800,000

**Multifamily Development Revenue Bonds
(Parklane Apartments Project) Series 2001 C**

INTRODUCTION

This Official Statement and the Appendices hereto set forth certain information relating to the issuance by the Maryland Community Development Administration (the "Administration"), an agency in the Division of Development Finance of the Department of Housing and Community Development, a principal department of the government of the State of Maryland, of the above-captioned Series 2001 C Bonds (the "Bonds"). Certain capitalized terms used in this Official Statement are summarized in APPENDIX A—"CERTAIN DEFINITIONS" attached hereto.

The Bonds are being issued pursuant to a Trust Indenture (the "Indenture"), dated as of July 1, 2001, between the Administration and Allfirst Bank, as trustee (the "Trustee"), and pursuant to Sections 2-201 through 2-208 of Article 83B of the Annotated Code of Maryland, as amended (the "Act").

Concurrently with the issuance of the Bonds, Fannie Mae will deliver to the Trustee a Direct Pay Irrevocable Transferable Credit Enhancement Instrument (the "Credit Enhancement Instrument"), dated the date of issuance of the Bonds. Fannie Mae will advance funds under the Credit Enhancement Instrument to the Trustee with respect to the payment of: (i) amounts sufficient to pay the principal of the Bonds when due by reason of acceleration, optional or mandatory redemption, defeasance or stated maturity and (ii) up to 35 days' interest on the Bonds (computed at the Maximum Rate, as defined below) in an amount sufficient to pay the interest on the Bonds when due on or prior to their stated maturity date. Fannie Mae will also advance funds under the Credit Enhancement Instrument to the Trustee up to the principal amount of the Bonds and interest thereon (computed at the Maximum Rate, as defined below) for up to 35 days in order to pay the purchase price of Bonds tendered for purchase pursuant to the Indenture. The Credit Enhancement Instrument will expire on February 20, 2034, unless terminated earlier in accordance with its terms, as provided in the Credit Enhancement Instrument. The Credit Enhancement Instrument constitutes a "Credit Facility" under the Indenture and Fannie Mae constitutes a "Credit Provider" under the Indenture.

The Bonds are special and limited obligations of the Administration issued in connection with the acquisition, rehabilitation and equipping by Fairfield Parklane LP, a Delaware limited partnership (the "Borrower"), of a multifamily rental housing development known as Parklane Apartments, located in Gaithersburg, Maryland (the "Project"). The Bonds are being issued by the Administration to provide funding for a loan (the "Loan") to be made by the Administration to the Borrower to provide financing for costs of the acquisition, rehabilitation and equipping of the Project. The Loan will be made pursuant to a Financing Agreement, dated as of July 1, 2001 (the "Financing Agreement"), among the Administration, the Trustee and the Borrower, and in accordance with the requirements of Fannie Mae. The Loan will be originated on the date of issuance and delivery of the Bonds (the "Closing Date") and will be evidenced by a Multifamily Note (the "Note"), executed by the Borrower. The Note will be payable to the Administration and will be secured by, among other things, a Multifamily Deed of Trust, Assignment of Rents and Security Agreement (the "Security Instrument") from the Borrower in favor of the Administration and Fannie Mae.

The Security Instrument will encumber the Project. On the Closing Date, the Loan (including the Note and Security Instrument) will be assigned by the Administration pursuant to an Assignment and Intercreditor Agreement (the "Assignment"), dated as of July 1, 2001, to the Trustee and Fannie Mae ("Fannie Mae" or the "Credit Provider"), as their interests may appear, subject to the reservation by the Administration of certain rights (the "Reserved Rights"), and upon such assignment, will be part of the Trust Estate securing the Bonds. (See "SECURITY FOR THE BONDS-Credit Enhancement Instrument.")

The Borrower will enter into a Reimbursement Agreement (the "Reimbursement Agreement"), dated as of July 1, 2001, with Fannie Mae pursuant to which the Borrower will agree to reimburse Fannie Mae for all Advances made by Fannie Mae under the Credit Enhancement Instrument. Upon an event of default under the Reimbursement Agreement, Fannie Mae, at its option, may direct the mandatory tender or mandatory redemption of all or a portion of the Bonds. See "THE BONDS - Redemption" and "Mandatory Tender Upon Default."

The Bonds will initially bear interest at the Weekly Variable Rate, to be determined weekly and as otherwise described herein by Bear, Stearns & Co. Inc. as remarketing agent for the Bonds (in such capacity, the "Remarketing Agent"). Under certain circumstances, and with the prior written consent of Fannie Mae, the method of calculating the interest rate borne by the Bonds may be adjusted from time to time to a Reset Rate or to the Fixed Rate to maturity. See "THE BONDS - Rate Mode Adjustments." The Bonds are subject to a maximum interest rate of twelve percent (12%) per annum (the "Maximum Rate"), subject to adjustment in accordance with the Indenture.

During any period of time in which the Bonds bear interest at the Weekly Variable Rate, such Bonds are subject to purchase at a price equal to 100% of the principal amount of such Bonds plus accrued and unpaid interest thereon to the date of purchase (the "Purchase Price"). Such purchase will be made upon demand of the owner thereof on any Business Day upon seven days' prior notice delivered to the Trustee prior to 3:30 p.m., Eastern time. The Bonds are also subject to mandatory tender for purchase and are subject to optional and mandatory redemption as set forth in the Indenture and described herein. Payment of the Purchase Price of tendered Bonds that are not remarketed will be paid with amounts provided pursuant to the Credit Facility.

As more fully described herein, the loss of exclusion of interest on the Bonds from gross income for Federal income tax purposes would not, in and of itself, result in a mandatory tender or redemption of the Bonds.

THIS OFFICIAL STATEMENT IN GENERAL DESCRIBES THE BONDS ONLY WHILE THE BONDS BEAR INTEREST AT THE WEEKLY VARIABLE RATE.

Fannie Mae's participation in the financing of the Project will not extend beyond the Construction Phase (as defined in the Construction Phase Financing Agreement, dated as of July 1, 2001 (the "Construction Phase Financing Agreement")) to be entered into among Fannie Mae, Bank of America, N.A. (the "Construction Lender") and Berkshire Mortgage Finance Limited Partnership (the "Loan Servicer") and acknowledged and agreed to by the Borrower), unless the Conditions to Conversion (as described below) set forth in the Construction Phase Financing Agreement are timely satisfied (or, to the extent not satisfied, are waived by Fannie Mae) such that conversion of the Loan from the Construction Phase to the Permanent Phase (as such term is defined in the Construction Phase Financing Agreement) ("Conversion") occurs on or before the Termination Date set forth in the Construction Phase Financing Agreement. If Conversion will occur on or before the Termination Date, the Loan Servicer is, on or before the Termination Date, to issue a Conversion Notice, in which event the Loan will convert from the Construction Phase to the Permanent Phase and Fannie Mae's participation in the financing will continue. If, however, Conversion does not occur on or before the Termination Date, the Bonds will be subject to mandatory redemption in whole. Any such mandatory

redemption will be at a redemption price equal to the principal amount of the Bonds plus accrued interest to the redemption date. No such redemption will be made at a premium. In the event of such mandatory redemption in whole, the redemption price is to be paid with funds provided under the Credit Enhancement Instrument. Alternatively, in lieu of such redemption, the Bonds may be purchased by the Trustee for the account of the Construction Lender from amounts advanced under the Credit Enhancement Instrument. In either case, the Bondholders will be required to deliver their Bonds for redemption or purchase, as the case may be. See "THE BONDS - Redemption," "Mandatory Redemption" and "Special Purchase in Lieu of Redemption." Fannie Mae will not provide credit enhancement or liquidity for the Bonds following an advance under the Credit Enhancement Instrument to fund such redemption or purchase. The "Termination Date" is July 15, 2003, unless extended by the Credit Provider at the request of the Loan Servicer. The Loan Servicer may request one six-month extension of the Termination Date. The grant of any such extension by Fannie Mae is within Fannie Mae's discretion and is subject to certain conditions set forth in the Construction Phase Financing Agreement.

The Conditions to Conversion include, for example, completion of construction of the Project and the achievement of a specified level of occupancy from the leasing of units in the Project. No assurance can be given that all of the Conditions to Conversion will be satisfied or that other events or circumstances may or may not occur as a result of which Conversion will not occur.

In addition, even if Conversion occurs, no assurance can be given that the principal amount of the Loan at Conversion, as finally determined in accordance with the Construction Phase Financing Agreement, will not be less than the original principal amount of the Loan; if the principal amount of the Loan, as finally determined, is less than the original principal amount of the Loan, the principal amount of the Loan must, as a Condition for Conversion, be reduced by the Borrower's prepayment of the Loan in part in the amount required by Fannie Mae (a "Pre-Conversion Loan Equalization Payment"). An amount equal to the amount of such payment will be applied to redeem an allocable portion of the Bonds. Any such mandatory redemption will be at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the redemption date. No such redemption will be made at a premium. If such prepayment in part is required as a Condition to Conversion and is not made, Conversion will not occur and the Bonds will be subject to mandatory redemption in whole. See "THE BONDS - Redemption."

Prior to the effective date of Conversion (the "Conversion Date"), Fannie Mae will, pursuant to the Construction Phase Financing Agreement, be protected against risk of loss by the Construction Lender through a Construction Phase Credit Facility acceptable to Fannie Mae. Certain events concerning the Construction Lender, the Construction Phase Financing Agreement and the Construction Phase Credit Facility may result in the prepayment of the Loan and a corresponding mandatory redemption of the Bonds. See "THE BONDS — Redemption—Mandatory Redemption" herein. The Construction Phase Credit Facility will be delivered for the sole benefit of Fannie Mae and will not secure payment of the Bonds.

The net proceeds of the Bonds excluding that portion, if any, of the Costs of Issuance Deposit to be funded with Net Bond Proceeds will be initially deposited in the Project Account of the Loan Fund and the Capitalized Interest Account of the Loan Fund. Upon funding the Loan in compliance with the provisions of the Indenture, amounts in the Project Account of the Loan Fund will be used to fund a portion of the costs of the Project. Pending disbursement thereof, the proceeds of the Bonds will be invested in Permitted Investments.

Fannie Mae has designated Berkshire Mortgage Finance Limited Partnership (the "Loan Servicer") to service the Loan. Fannie Mae may subsequently designate another eligible servicing institution to service the Loan or may elect to service the Loan itself.

A portion of the units in the Project is required to be occupied by persons or families whose incomes satisfy certain provisions of the Act and the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable income tax regulations issued under the Code as set forth in a Regulatory Agreement and Agreement and Declaration of Covenants and Restrictions for the Project, dated as of July 1, 2001, and to be entered into by and between the Administration and the Borrower (the "Tax Regulatory Agreement"). Additional limits on the income of tenants are imposed under an Extended Low Income Housing Covenant for Low-Income Housing Tax Credits to be entered into between the Administration and the Borrower dated as of July 1, 2001 (collectively with the Tax Regulatory Agreement, the "Regulatory Agreements") in connection with obtaining low-income housing tax credits. See "THE PROJECT AND THE PRIVATE PARTICIPANTS" herein. The Project will also be subject to certain income and rent restrictions required under State law and reflected in the Tax Regulatory Agreement.

Any failure of the Borrower to comply with certain terms of the Tax Regulatory Agreement may cause interest on the Bonds to be included in the gross income of the owners thereof for federal income tax purposes, possibly retroactively as well as prospectively. See "TAX MATTERS" herein. None of the Trustee, the Administration or the Bondholders may cause an acceleration or redemption of the Bonds solely because of a default by the Borrower under the Tax Regulatory Agreement or because interest on the Bonds becomes includable in the gross income of the owners thereof for federal income tax purposes.

The Bonds are subject to optional and mandatory redemption prior to maturity as described under the heading "THE BONDS— Redemption" herein.

The Bonds are special obligations of the Administration, an agency in the Division of Development Finance of the Department of Housing and Community Development, a principal department in the government of the State of Maryland, payable solely from and secured by, among other property comprising the Trust Estate described in the Indenture, the following: (a) the Loan, (b) the Credit Enhancement Instrument, (c) the proceeds of the Bonds, to the extent not disbursed to the Borrower, (d) the Revenues and any other moneys received by the Trustee for the payment of the principal of and interest on the Bonds, (e) amounts otherwise on deposit in the Funds and Accounts under the Indenture (but excluding moneys on deposit from time to time in the Rebate Fund, the Costs of Issuance Deposit Account of the Costs of Issuance Fund and the Fees Account), and (f) certain Investment Income. 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, under any circumstances, payable from or secured by any other assets of the Administration not expressly pledged to payment of the Bonds, including, without limitation, the Administration's General Bond Reserve Fund.**

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

BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

Brief descriptions of the Bonds, the security for the Bonds, the Administration, Fannie Mae, the Borrower and the Project are included in this Official Statement together with summaries of the Indenture, the Financing Agreement and certain related agreements, and the form of the Credit Enhancement Instrument. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Credit Enhancement Instrument and other documents and agreements are qualified in their entirety by reference to such documents and agreements, and references herein to the Bonds are qualified in their entirety by reference to the forms thereof included in the Indenture and the information with respect thereto in the aforementioned documents, copies of all of which are available for inspection in the Designated Office of the Trustee.

THE BONDS

The Official Statement, in general, describes the Bonds only during the Weekly Variable Rate period and is not intended for use with respect to the Bonds during any Reset Period or the Fixed Rate Period.

General

During any Weekly Variable Rate Period, the Bonds are issuable only as fully registered bonds, without coupons, in denominations of (subject to adjustment as described below) \$100,000 or any integral multiple of \$5,000 in excess of \$100,000. The Bonds are dated as of their date of delivery and will mature as set forth on the cover of this Official Statement, subject to prior redemption as described under the caption "Redemption" below. During each Weekly Variable Rate period interest on the Bonds will be paid on the 15th day of each month commencing August 15, 2001.

So long as the Bonds bear interest at the Weekly Variable Rate, one or more Credit Facilities providing credit and liquidity support for the Bonds must be in effect.

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

Weekly Variable Rate Mode

Except during a Reset Period or the Fixed Rate Period, the Bonds will bear interest at the Weekly Variable Rate, determined from time to time pursuant to the Indenture. During the Weekly Variable Rate Period, interest will accrue on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed.

During the Weekly Variable Rate Period, the Remarketing Agent will determine the Weekly Variable Rate for each Week not later than 4:00 p.m. Eastern time on Tuesday of each Week, or if such day is not a

Business Day, the preceding Business Day (in any such case, a "Rate Determination Date"). The Weekly Variable Rate will be the minimum rate of interest necessary, in the professional judgment of the Remarketing Agent, taking into consideration prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds on the applicable Rate Determination Date at par plus accrued interest on the Bonds for that Week. The Weekly Variable Rate so determined will be effective for the Week for which such rate was determined. The Remarketing Agent will provide notice of the Weekly Variable Rate before 5:00 p.m. Eastern time on the Rate Determination Date by telephone to any Beneficial Owner upon request. The Weekly Variable Rate so determined by the Remarketing Agent will be conclusive and binding upon the Bondholders.

Failure by Remarketing Agent to Determine Weekly Variable Rate

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

Rate Mode Adjustments

At the option of the Borrower, the interest rate on all Outstanding Bonds may be adjusted on any Interest Payment Date from the Weekly Variable Rate to (i) a Reset Rate for a Reset Period of ten years or more selected by the Borrower, or such shorter period as may be selected by the Borrower with the prior written consent of the Credit Provider, or (ii) to a Fixed Rate, in each case subject to satisfaction of the conditions precedent as set forth in the Indenture. In each case, notice must be given by the Trustee not less than 30 days before the proposed date of adjustment to a Reset Rate or a Fixed Rate (an "Adjustment Date") to the effect that all Bonds are subject to mandatory tender and purchase on the Adjustment Date, whether or not the conditions set forth in the Indenture for adjustment are satisfied. In such case, the Bondholders shall not have the right to retain their Bonds.

Maximum Interest Rate

The interest rate on the Bonds may not exceed 12% per annum subject, however, to increase under the conditions set forth in the Indenture.

Reimbursement Agreement Default

In the event that the Credit Provider gives written notice to the Administration and the Trustee that the Borrower has defaulted in performing any of its obligations under the Reimbursement Agreement, then the Credit Provider will be entitled to exercise all rights of the Borrower to adjust the Mode and the Borrower will not be entitled to exercise any such rights unless and until the Borrower gives written notice, acknowledged in writing by the Credit Provider, to the Administration and the Trustee that either (i) such default has been cured or waived or (ii) the Credit Provider has consented to the Borrower's resumption of the exercising of such rights.

Weekly Variable Rate Optional Tender

During any Weekly Variable Rate Period, the Beneficial Owner may demand purchase of its Bond by delivery of a notice (a "Bondholder Tender Notice") to the Tender Agent at its Designated Office on any Business Day. The Trustee will purchase any such Bond on behalf of and as agent for the Borrower. The purchase price of any Bond tendered for purchase will be 100 percent of the principal amount of such Bond

plus accrued interest, if any, to the date of purchase. Any Bondholder Tender Notice received by the Tender Agent after 3:30 p.m. Eastern time on a Business Day will be treated as received at 9:00 a.m. Eastern time on the following Business Day. The date of purchase will be the date selected by the Beneficial Owner in the Bondholder Tender Notice; provided, however, that such date is a Business Day which is at least seven days after the date of the delivery of the Bondholder Tender Notice to the Tender Agent. A Bondholder Tender Notice properly given will be irrevocable and binding on any transferee of the Beneficial Owner of such tendered Bond and must:

- (1) be accompanied by a guaranty of signature acceptable to the Tender Agent; and
- (2) contain the CUSIP number of the Bond, the principal amount to be purchased (or portion of a Bond, provided that the retained portion is an Authorized Denomination), the name, address and tax identification number or social security number of the Beneficial Owner of the Bond demanding such payment and the purchase date.

The Tender Agent will determine in its sole discretion whether a Bondholder Tender Notice complies with the requirements of the Indenture and whether Bonds delivered conform in all respects to the description of the Bonds in the Bondholder Tender Notice; such determination will be binding on the Beneficial Owner of the tendered Bond.

If after delivery of a Bondholder Tender Notice the holder making such election fails to deliver any of the Bonds described in the Bondholder Tender Notice as required by the Indenture, each untendered Bond or portion of such untendered Bond ("Untendered Bond") described in such Bondholder Tender Notice will be deemed to have been tendered to the Tender Agent for purchase and, to the extent that there is on deposit in the Bond Purchase Fund on the applicable purchase date an amount sufficient to pay the purchase price of such Untendered Bond, such Untendered Bond shall, from and after such purchase date, cease to bear interest and no longer be considered to be Outstanding. Upon surrender of any Bond for purchase in part only, the Administration will execute and the Tender Agent will authenticate and deliver to the holder of such Bond a new Bond or Bonds of the same maturity and interest rate, of Authorized Denominations, in an aggregate principal amount equal to the unpurchased portion of the Bond surrendered.

Notwithstanding the above, during any period that the Bonds are in book entry form, (i) any Bondholder Tender Notice also must (A) provide evidence satisfactory to the Tender Agent that the party delivering the notice is the Beneficial Owner of the Bond(s) or a custodian for the Beneficial Owner referred to in the notice, and (B) if the Beneficial Owner is other than a DTC Participant, identify the DTC Participant through whom the Beneficial Owner will direct transfer; (ii) on or before the purchase date, the Beneficial Owner must direct (or if the Beneficial Owner is not a DTC Participant, cause its DTC Participant to direct) the transfer of said Bond(s) on the records of DTC to the account of, or as directed by, the Trustee; (iii) Tendered Bond(s) will be purchased without physical delivery as if such Bond(s) had been so delivered and (iv) the purchase price of such Bond(s) will be paid to DTC. See "THE BONDS - DTC and Book Entry" below.

Mandatory Tender (Other Than Upon Default)

The holders of the Bonds will be required to tender their Bonds to the Tender Agent on each Mandatory Tender Date for purchase by the Trustee acting on behalf of and as agent for the Borrower, at a purchase price equal to 100 percent of the principal amount of the Bonds plus accrued interest to the applicable Mandatory Tender Date. The Bondholders may not elect to retain their Bonds. Mandatory Tender Dates include each:

(1) date on which the interest rate on the Bonds is adjusted to a different Mode (even if a proposed change in Mode fails to occur);

(2) date on which an Alternate Credit Facility (as defined below) is to be substituted, or on which the Alternate Credit Facility then in effect will expire; and

(3) a Rating Notice Date, as described below.

Rating Notice Date

The Borrower is obligated, pursuant to the Financing Agreement, to request, on each January 1 and July 1, advice in writing from the Administration as to whether the Bonds bear a rating from Moody's of not less than the highest short-term rating from Moody's Investors Service, Inc. while the Bonds bear interest at the Weekly Variable Rate. The Administration will advise the Borrower, the Trustee and the Credit Provider in writing within two weeks of the date the Administration receives the Borrower's written request as to whether the Bonds bear such rating as of the date of the written response. If the Administration advises that such rating is satisfied as of the date of the written response, then no further action is required. If the Administration advises that such rating is not satisfied as of the date of the written response, then the Bonds will be subject to mandatory tender for purchase pursuant to the Indenture on the date (the "Rating Notice Date") established by the Administration and the Credit Provider that is not more than six months subsequent to the date of the Administration's letter regarding the rating.

Mandatory Tender Upon Default

The Bonds will be subject to mandatory tender for purchase on the earliest practicable date (which date will be a Mandatory Tender Date), after notice of tender has been given to Bondholders (but not less than ten nor more than 15 days after the giving of such notice) upon receipt by the Trustee of written notice from the Credit Provider stating that an Event of Default under the Indenture, the Financing Agreement or the Reimbursement Agreement has occurred and directing that the Bonds be subject to mandatory tender for purchase rather than redemption or acceleration. In such event, Bonds are required to be tendered on the Mandatory Tender Date specified in such notice and the Bondholders will not have the right to elect to retain their Bonds.

Untendered Bonds

Any Untendered Bond will be deemed to have been tendered to the Tender Agent as of such Mandatory Tender Date, and, from and after such Mandatory Tender Date, will cease to bear interest and no longer will be considered to be Outstanding. The holders of Untendered Bonds will no longer be entitled to any payment (including any interest to accrue from and after the Mandatory Tender Date) other than the purchase price for such Untendered Bond. The Tender Agent will authenticate and deliver to the Remarketing Agent, for redelivery to the purchaser, a new Bond in replacement of the Untendered Bond.

Notices

The Trustee will give notice of such Mandatory Tender Dates not less than 10 days prior to any such date (except that in the case of mandatory tender on a proposed Adjustment Date, notice will be given not less than 30 days prior to such date) by first class mail, postage prepaid, to the Bondholders stating the information required to be set forth in the Indenture.

During any period that the Bonds are held in book entry form, (i) any notice delivered by the Tender Agent will be given only to the entity designated in the Letter of Representations, as required by the Indenture and (ii) it will not be necessary for Bond(s) to be physically delivered on the date specified for purchase of such Bond(s), but such purchase will be made as if such Bond(s) had been so delivered, and the purchase price of such Bond(s) will be paid to DTC.

Purchase Following Tender

The Tender Agent will make payment for Bonds purchased pursuant to an optional or a mandatory tender at or before 4:00 p.m. Eastern time on the applicable purchase date, first, from remarketing proceeds on deposit in the Bond Purchase Fund, second, from proceeds of a payment under the Credit Facility, and third, from funds provided by the Borrower.

Redemption

The Bonds are subject to redemption prior to maturity only as set forth herein. All redemptions must be in Authorized Denominations.

Optional Redemption. The Bonds are subject to optional redemption in whole or in part upon optional prepayment of the Loan by the Borrower on any Interest Payment Date within a Weekly Variable Rate Period and on any Adjustment Date at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the Redemption Date. The principal of and accrued interest on any Bond being so redeemed will be paid from an Advance under the Credit Facility.

Mandatory Redemption. The Bonds are subject to mandatory redemption on the earliest practicable date for which timely notice of redemption can be given from an Advance under the Credit Facility at a redemption price equal to 100 percent of the principal amount of such Bonds plus accrued interest to the date of redemption in the following events:

(1) in whole or in part, to the extent that proceeds of insurance from any casualty to, or proceeds of any award from any condemnation of, or any award as part of a settlement in lieu of condemnation of, the Project are applied to the prepayment of the Loan;

(2) in whole or in part on each Adjustment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Adjustment Date to the Redemption Account pursuant to the Indenture;

(3) in whole or in part, on any Interest Payment Date, (A) in an amount equal to all amounts on deposit in the Principal Reserve Fund (rounded downward to the nearest multiple of \$100,000) in excess of the Principal Reserve Amount which, on the tenth Business Day prior to each Interest Payment Date, are transferred to the Redemption Amount or (B) on the written direction of the Credit Provider, if a default has occurred under any Credit Facility Document, any Loan Document or any Bond Document, from amounts transferred from the Principal Reserve Fund;

(4) in whole or in part, in an amount specified by and at the written direction of the Credit Provider, following any event of default under the Reimbursement Agreement; in no event will such redemption occur later than two Business Days prior to the date, if any, that the Credit Facility terminates on account of the Credit Provider's giving direction to the Trustee pursuant to the Indenture to redeem the Bonds in whole;

(5) in part in the event that the Borrower makes a Pre-Conversion Loan Equalization Payment in an amount equal to such payment;

(6) in whole if the Credit Provider notifies the Trustee that either (i) Conversion has not occurred on or before the Termination Date or (ii) that certain defaults set forth in the Construction Phase Financing Agreement have occurred or (iii) that an event of default by the Borrower has occurred under the Construction Phase Credit Reimbursement Agreement; or

(7) in whole or in part to the extent that amounts on deposit in the Loan Fund are not required to pay Costs of the Project.

Notice of Redemption. The Trustee will give notice of redemption by first class mail, postage prepaid, not less than ten days prior to the specified date of redemption, to the Registered Owner of each Bond to be redeemed at the address of such Registered Owner as shown on the Bond Register. With respect to Bonds in book entry form, if the Trustee sends notice of redemption to the Securities Depository pursuant to the Letter of Representations, the Trustee is not required to give the notice set forth in the immediately preceding sentence. No notice will be given in the case of a redemption following an Event of Default under the Reimbursement Agreement. In the case of an optional redemption, the notice of redemption will state that it is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Bonds including Available Moneys to pay any redemption premium in full ("Conditional Redemption"), and such notice and optional redemption will be of no effect if either (i) by no later than the scheduled redemption date, sufficient money to redeem the Bonds and sufficient Available Moneys to pay any redemption premium have not been deposited with the Trustee or (ii) the Credit Provider directs the Trustee to rescind such notice on or prior to the scheduled redemption date. If notice is given as stated above, failure of any Bondholder to receive such notice, or any defect in the notice, will not affect the redemption or the validity of the proceedings for the redemption of the Bonds.

The Trustee will rescind any Conditional Redemption by notice of rescission if the requirements of the Indenture have not been met on or before the date of such redemption; notice of rescission will be given by the same means as is provided above for the giving of notice of redemption or by Electronic Means confirmed in writing. Any Bonds subject to Conditional Redemption which has been cancelled will remain Outstanding, and neither the rescission nor the failure of funds being made available in part or in whole on or before the proposed date of redemption will constitute an Event of Default. Notwithstanding notice of redemption having been given in the manner provided above, any optional redemption of Bonds will be canceled with the consent of or at the direction of the Credit Provider if the Credit Provider has notified the Trustee that an Event of Default under the Reimbursement Agreement has occurred.

If notice of redemption has been given and the conditions for such redemption, if applicable, have been met, the Bonds called for redemption will become due and payable on the date specified for redemption, interest on those Bonds will cease to accrue on the redemption date and the called Bonds will no longer be Outstanding. The holders of the Bonds so called for redemption will thereafter no longer have any security or benefit under the Indenture except to receive payment of the redemption price for such Bonds upon surrender of such Bonds to the Trustee. All moneys held by or on behalf of the Trustee for the redemption of particular Bonds will be held in trust for the account of the holders of the Bonds to be redeemed. If less than the entire principal amount of a Bond is called for redemption, the Administration will execute, and the Trustee will authenticate and deliver, upon the surrender of such Bond to the Trustee, without charge by the Administration or the Trustee to the Bondholder, in exchange for the unredeemed principal amount of such Bond, a new Bond or Bonds of the same interest rate, maturity and term, in any Authorized Denomination,

in aggregate principal amount equal to the unredeemed balance of the principal amount of the Bond so surrendered.

Selection of Bonds to be Redeemed Upon Partial Redemption. If less than all the Outstanding Bonds are called for redemption, the Trustee will select by lot, in such manner as it determines in its discretion, the Bonds, or portions of the Bonds in Authorized Denominations, to be redeemed. In the selection process (i) any Pledged Bonds Outstanding will be called for redemption before any other Bonds are selected for redemption and (ii) if applicable, the Bonds with the highest interest rate will be called for redemption before any other Bonds are selected for redemption.

Purchase of Bonds in Whole in Lieu of Redemption. If the Bonds are called for redemption in whole pursuant to the Indenture, all (but not less than all) of the Bonds may be purchased by the Trustee (for the account of the Borrower or the Credit Provider or their respective designee, as directed by such party) as described in the Indenture. Bonds so purchased for the account of the Borrower with moneys advanced under the Credit Facility will for all purposes under the Indenture constitute Pledged Bonds.

Special Purchase in Lieu of Redemption

If the Bonds Outstanding are called for redemption in whole upon default by the Borrower or failure of Conversion to occur at any time that the Construction Phase Credit Facility is in effect, the Bonds may, in lieu of such redemption, be purchased ("Special Purchase Bonds") by the Trustee, at the written direction of the Construction Lender to the Trustee, for the account of the Construction Lender. The purchase price of the Special Purchase Bonds ("Special Purchase Price") will be equal to the principal amount of the Special Purchase Bonds, plus accrued interest, if any, on the Special Purchase Bonds to the date of purchase (the "Special Purchase Date"). The payment source will consist solely of funds to be advanced by the Credit Provider under the Credit Facility in connection with such redemption together with Available Moneys otherwise available under the Indenture to pay the redemption price of the Special Purchase Bonds as directed by the Credit Provider. Bonds which are not delivered to the Trustee on the Special Purchase Date shall be deemed to have been so purchased and not redeemed on such date and shall cease to accrue interest as to the former owner on the Special Purchase Date.

DTC and Book Entry

The information contained in the following paragraphs of this section concerning DTC and DTC's book-entry system has been extracted from a schedule prepared by DTC, entitled "SAMPLE OFFICIAL STATEMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE." The Administration makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond will be issued for each maturity of Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. DTC 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 securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities

through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and 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 securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

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

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within a maturity 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. Under its usual procedures, DTC mails an Omnibus Proxy to the Administration as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts on the date payable in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of

such Participant and not of DTC, the Trustee, or the Administration, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Administration or the Trustee under the Trust Indenture, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall 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 Tender or Remarketing Agent, 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 Tender or Remarketing Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender or Remarketing Agent's DTC account.

NEITHER THE ADMINISTRATION, THE TRUSTEE NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT OR TIMELINESS OF PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY OR INTEREST ON, THE BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; (IV) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR (V) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS.

Discontinuance of Book-Entry Registration. DTC may discontinue providing its services as the securities depository with respect to the Bonds at any time by giving reasonable notice to the Administration or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, definitive Bonds are required to be printed and delivered. In addition, the Administration, in its sole discretion and without the consent of any other person, may not use or may terminate the services of DTC (or a successor securities depository). Under such circumstances, the Bonds will be delivered as provided in the Indenture.

SECURITY FOR THE BONDS

Pledge of Trust Estate

Pursuant to the Indenture, the Administration has assigned and pledged the property described below to the Trustee, for the benefit of the Bondholders, to secure the payment of the principal of, premium, if any, interest on and purchase price of the Bonds when the same become due and payable and to secure, on a parity basis, the Credit Provider (the "Trust Estate"):

- (a) all right, title and interest of the Administration in and to the Financing Agreement, the Loan, including the Note, the Security Instrument and the other Loan Documents, reserving, however, the Reserved Rights;
- (b) all rights to receive payments on the Note and under the other Loan Documents, including all proceeds of insurance or condemnation awards;

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

(d) any and all rights and interests in property, whether tangible or intangible, conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture for the Bonds for the benefit of the Bondholders and the Credit Provider; and

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

Pursuant to the Indenture and the Assignment, the Administration will assign and deliver to Fannie Mae and the Trustee, as their interests may appear, subject to the reservation of certain rights by the Administration, all of its right, title and interest in and to the Loan and the Loan Documents. Under the Assignment, Fannie Mae will exercise all of the "Assigned Rights," i.e. rights in respect of the Loan and the Loan Documents, so long as there is no uncured Wrongful Dishonor under the Credit Enhancement Instrument.

Credit Enhancement Instrument

The Credit Enhancement Instrument constitutes a "Credit Facility" under the Indenture, and Fannie Mae constitutes a "Credit Provider" under the Indenture. The form of the Credit Enhancement Instrument is attached as Appendix D.

The Trustee is required to present Certificates (as defined in the Credit Enhancement Instrument) to Fannie Mae as required by and in accordance with the Credit Enhancement Instrument in order to receive Advances under, and as and to the extent provided in and permitted by, the Credit Enhancement Instrument, to make timely payments to Bondholders on any date such payments are due or to purchase Bonds on any date such purchase is required under the Indenture, and for which the Credit Enhancement Instrument provides coverages for payments to Bondholders or for the purchase of Bonds, provided that in no event may the Trustee present a Certificate for payment of any amount due in respect of any Pledged Bonds. In no event may the Trustee present a Certificate earlier than the latest day on which such Certificate may be presented under the Credit Enhancement Instrument to still allow for timely payments to the Bondholders. The amount available to be drawn under the Credit Facility for the Bonds consists of a Principal Portion equal to the unpaid principal balance of the Bonds Outstanding and an Interest Portion for the payment of up to 35 days of interest actually accrued on the Bonds (assuming a maximum rate of interest on the Bonds of 12% per annum) calculated on the basis of a 365/366-day year and the actual number of days elapsed.

Alternate Credit Facility

The Credit Enhancement Instrument may be replaced with various other forms of credit enhancement (each an "Alternate Credit Facility" except as described below; the Credit Enhancement Instrument or Alternate Credit Facility being herein referred to as the "Credit Facility"). So long as the Bonds bear interest at the Weekly Variable Rate, one or more Credit Facilities providing credit and liquidity support for the Bonds must be in effect.

The Trustee shall accept any Alternate Credit Facility if, among other things, (i) the Trustee receives certain opinions as to, among other things, the effect of such replacement on the tax status of the Bonds and the legality, validity and enforceability of the new Credit Facility; (ii) unless waived by the Administration, the Credit Facility will result in the Bonds receiving a short term rating in the highest rating category of each Rating Agency; and (iii) moneys sufficient to pay all costs incurred in connection with the provision of such Credit Facility are deposited with the Trustee prior to the effective date of the Alternate Credit Facility.

Upon replacement of the Credit Enhancement Instrument except as described below, the Bonds are subject to mandatory tender as described above under the caption "THE BONDS -Mandatory Tender Dates (Other Than Upon Default.)"

Principal Reserve Fund

The Principal Reserve Fund is established pursuant to the Indenture and is to be held by the Trustee.

Pursuant to the Indenture, there is to be deposited into the Principal Reserve Fund all of the monthly payments made by the Borrower in accordance with the Reimbursement Agreement and Investment Income earned on amounts on deposit in the Principal Reserve Fund. In addition to transfers to effect a redemption of Bonds as described above, the Trustee shall pay or transfer amounts on deposit in the Principal Reserve Fund as follows:

(1) at the written direction of the Credit Provider, to the Credit Provider to reimburse the Credit Provider for any unreimbursed Advance under the Credit Facility and to pay any other amounts required to be paid by the Borrower under the Loan Documents, the Bond Documents or the Credit Facility Documents (as such terms are defined in the Indenture);

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

(3) at the written direction of the Credit Provider, if a default has occurred under any Credit Facility Document, any Loan Document or any Bond Document, to the Credit Provider for any use approved in writing by the General Counsel of the Credit Provider or, at the written direction of the Credit Provider, to the redemption of the Bonds, in whole or in part;

(4) at the written direction of the Credit Provider, if a new mortgage and mortgage note have been substituted for the Security Instrument and the Note, or if the Borrower otherwise consents, to any purpose approved in writing by the General Counsel of the Credit Provider;

(5) during a Weekly Variable Rate Period, on the tenth Business Day prior to each Interest Payment Date, all amounts on deposit in the Principal Reserve Fund (rounded downward to the nearest multiple of \$100,000) in excess of the Principal Reserve Amount shall (i) be transferred to the Redemption Account or (ii) be retained in the Principal Reserve Fund with the written consent of the Credit Provider and if an opinion of Bond Counsel to the Administration is delivered to the Administration, the Trustee and the Credit Provider that such retention will not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes; and

(6) to the Borrower, Investment Income on moneys in the Principal Reserve Fund on the Interest Payment Date following receipt by the Trustee of such Investment Income; provided (i) there is no deficiency in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account or the Rebate Fund, and (ii) no default exists under any Credit Facility Document, any Loan Document or any Bond Document.

See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Principal Reserve Fund."

ESTIMATED SOURCES AND USES OF FUNDS

The sources of funds and the uses thereof in connection with the Bonds (exclusive of accrued interest) are expected to be approximately as set forth below.

Sources:

Proceeds from sale of the Bonds	\$9,800,000
Montgomery County Loan*	950,000
Borrower Contribution	<u>2,613,018</u>
Total Sources:	\$13,363,018

Uses:

Loan Fund Deposit-Project Account	\$9,800,000
Loan Fund Deposit-Capitalized Interest Account	-0-
Additional Hard & Soft Cost of the Project	3,268,223
Costs of Issuance Fund Deposit	<u>294,795</u>
Total Uses:	\$13,363,018

* Montgomery County Department of Housing and Community Affairs (the "County") will make a loan to the Project on a subordinate basis (the "Subordinate Loan") to finance additional costs of the Project.

LIMITED LIABILITY

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

THE BONDS ARE NOT, 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.

FANNIE MAE

Fannie Mae is a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. 1716 et seq. It is the largest investor in home mortgage loans in the United States with a net portfolio of \$607 billion of mortgage loans as of December 31, 2000. Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and became a stockholder-owned and privately managed corporation by legislation enacted in 1968.

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

Fannie Mae is subject to regulation by the Secretary of Housing and Urban Development ("HUD") and the Director of the independent Office of Federal Housing Enterprise Oversight within HUD. Approval of the Secretary of Treasury is required for Fannie Mae's issuance of its debt obligations and MBS. Five of the eighteen members of Fannie Mae's Board of Directors are appointed by the President of the United States, and the other thirteen are elected by the holders of Fannie Mae's common stock.

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

As of December 31, 2000, Fannie Mae's stockholders' equity was \$20.8 billion. Information on Fannie Mae and its financial condition is contained in Fannie Mae's Information Statement dated March 30, 2001 (and any later supplement to or update of such Information Statement). Copies of the most recent Information Statement, as well as any Supplements to the Information Statement and Fannie Mae's most recent annual report to stockholders and proxy statement, are available without charge from the Office of Investor Relations, Fannie Mae, 3900 Wisconsin Avenue, NW, Washington, DC 20016 (telephone: (202) 752-7115) or by accessing Fannie Mae's world wide web site at <http://www.fanniemae.com>.

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

THE ADMINISTRATION

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 six divisions: the Division of Development Finance, the Division of Credit Assurance, the Division of Finance and Administration, the Division of Neighborhood Revitalization, the Division of Historical and Cultural Programs and the Division of Information Technology.

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

The Secretary, with the approval of the Governor, appoints the Director of the Administration, and the Director of the Administration, with the approval of the Secretary, appoints the Deputy Directors of the Administration and the other senior staff members of the Administration. The Act establishes a Housing Finance Review Committee (the “Review Committee”) which has the responsibility to review and to give recommendations to the Secretary regarding loans or categories of loans and the investment and project financing policies of the Administration. The Review Committee consists of seven members appointed by the Governor, including three members of the public and three members of the Department and one member of the Executive Branch not employed by the Department. When urgent action is required, the Secretary may approve a specific loan request without receiving the recommendation of the Review Committee.

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

The Division of Finance and Administration under the direction of the Chief Financial Officer of the Department provides budget, accounting, auditing and administrative services to the Department. In addition, the Administration has a finance office which handles finance and accounting for lending and bond activities and insurance activities, under the direction of the Chief Financial Officer of the Department who reports to the Director of the Administration with respect to its financial functions.

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

The Department has established a Revenue Bond Advisory Board (the “Board”). The Board provides independent advice and expertise to the Department with respect to issuance of revenue bonds, including the Bonds. The Board consists of seven members appointed by the Secretary, including the Deputy Secretary

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

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

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

Limited Involvement of the Administration

The Administration has no obligation to review, control or oversee the activities of the Trustee or the Borrower or the compliance by either of them with any covenants or provisions of any related documents, including (without limitation) any covenants that relate to the excludability from gross income of interest on the Bonds.

The Administration is indemnified by the Borrower against certain costs and liabilities as set forth in the Bond Documents.

THE LOAN

The Loan is to be evidenced by the Note, which will be (i) in an aggregate principal amount equal to the outstanding principal amount of the Bonds, (ii) executed by the Borrower in favor of the Administration and (iii) secured by the Security Interest. Pursuant to the terms of the Indenture and the Assignment, the Administration will assign and deliver to Fannie Mae and the Trustee, as their interests may appear, subject to the reservation of certain rights of the Administration, all of its right, title and interest in and to the Loan and the Loan Documents. Under the Assignment, Fannie Mae has the right to direct the Trustee to assign the Trustee's interest in the Mortgage Note and Security Instrument to Fannie Mae, to hold for the benefit of Bondholders.

Failure of the Borrower to make payments when due under the Loan will result in an event of default under the Loan and the Reimbursement Agreement and may, at the option of the Credit Provider, result in a mandatory tender or redemption of all or a portion of the Bonds. See "THE BONDS - Mandatory Tender Upon Default" and "Redemption" herein.

The Loan is a non-recourse obligation of the Borrower.

THE PROJECT AND THE PRIVATE PARTICIPANTS

The following has been provided solely by the Borrower. Neither the Administration, Fannie Mae, the Loan Servicer nor the Underwriter, nor any of their counsel, officers or employees, make any representations as to the accuracy or sufficiency of the following information.

The Project

Parklane Apartments (the “Project”) is a 137 unit multifamily residential development located at 7900 through 8030 Spiceberry Lane in Gaithersburg, Montgomery County, Maryland. The property consists of 9.46 acres on a rectangular shaped tract of land and is improved with 5 three-story brick over wood frame garden style apartment buildings containing 120 units in the aggregate, and 3 three-story brick over wood frame townhouse apartment buildings containing 17 rental units in the aggregate. There are ten laundry rooms located at the Project. Units are either two, three or four bedrooms and contain a living room, dining area and kitchen area; each unit has an individual gas fired HVAC system. Borrower is expected to spend approximately \$2,293,000 for rehabilitation of the Project, as well as \$500,000 for construction of a new club house and community room at the Project. Rehabilitation of the Project and occupancy sufficient to effect Conversion is expected to be achieved by July 15, 2003.

The units consist of the following:

Unit Type	Number of Units	Average Square Footage	Totals Square Footage
2BR / 1BA	60	795	47,700
3BR / 1.5BA	60	950	57,000
3BR / 2BA TH	4	1,220	4,880
4BR / 2BA TH	13	1,275	16,578
Totals	137		126,158

The Project was purchased by the Borrower on April 13, 2001. Since that date, in anticipation of the rehabilitation of the Project, the Borrower has ceased leasing vacant units. As a result, it is anticipated that as of July 11, 2001, the Project will be approximately 70% occupied. The Project will be subject to three separate agreements governing occupancy. See “Regulatory Agreements” below.

Due to the inherent uncertainty of future events and conditions, including without limitation general interest rate levels, no assurance can be given that revenues generated by the Project will be sufficient to pay debt service on the Loan, operating expenses of the Project, Fannie Mae fees, loan servicing fees, Construction Lender fees, Remarketing Agent fees, and fees owed to the Administration. The ability of the Borrower to generate sufficient revenues will be affected by a variety of factors including, but not limited to, the completion of the rehabilitation of the Project, the achievement and maintenance of a sufficient level of occupancy, the level of rents prevailing in the market for those units not subject to regulatory restrictions, the ability to achieve increases in rent to cover debt service and operating expenses, the level of operating expenses, Project management, adverse changes in applicable laws and regulations, general economic conditions and other factors in the surrounding area of the Project. Adverse changes may occur from time to time with respect to any of these factors which may have a negative impact on the occupancy level and rental income of the Project.

The Borrower

The Borrower is Fairfield Parklane LP, a Delaware limited partnership formed for the specific purpose of acquiring, rehabilitating and operating the Project. The General Partner of the Borrower is FF Parklane LLC, a Delaware limited liability company. The limited partners of the Borrower are affiliates of Paramount Financial Group, a national tax credit investor.

The principals of FF Parklane LLC (“Fairfield”) specialize in the acquisition/ rehabilitation of tax credit/ bond financed apartment projects. Fairfield has been in the multifamily real estate business since 1983 and has developed in excess of 42,000 apartment units in fourteen states. Fairfield is a privately held, fully integrated developer/operator of multifamily housing providing acquisition, construction, management, capital market and disposition services for institutional investors. Fairfield employs approximately 2,000 individuals in offices in more than 26 metropolitan areas. In the 1990’s, Fairfield developed multifamily housing developments valued at more than two billion dollars.

The Managing Agent

The project is managed by FF Properties LP (the “Managing Agent”), which is an affiliate of the General Partner of the Borrower. The Managing Agent is responsible for property management of all properties owned and controlled by Fairfield and currently operates approximately 44,000 apartment units nationally.

The Contractor

The General Contractor is FF Development L.P. (“Contractor”). The General Contractor is an affiliate of the General Partner and provides all general contracting services for properties developed by, purchased by, or operated by any of the Fairfield companies.

Regulatory Agreements

The Project is subject to three separate agreements governing occupancy, as described below.

The Administration and the Borrower will enter into a Regulatory Agreement and Agreement and Declaration of Covenants and Restrictions (the “Tax Regulatory Agreement”) with respect to the Project in connection with the issuance of the Bonds. The Tax Regulatory Agreement imposes certain requirements on the Borrower with respect to the tax-exempt status of the Bonds under the Code, which include, among other requirements, that at least 40% of the units in the Project be set aside for rental to persons or families having incomes at or below 60% of area median gross income, adjusted for family size and determined in accordance with Section 142(d) of the Code and (b) restriction on the rents which may be charged for occupancy of such units in the Project to not more than 30% of 60% of area median income, adjusted for family size. The Regulatory Agreement contains additional, more restrictive covenants, affecting tenant incomes pursuant to State law.

The Project will also be encumbered by an Extended Low Income Housing Covenant for Low Income Housing Tax Credits entered into between the Administration and the Borrower pursuant to Section 42 of the Code, which will, among other things, (a) restrict the income levels of the tenants in at least 40% of the residential units in the Project to amounts not greater than 60% of area median income adjusted for family size, and (b) restrict the rents which may be charged for occupancy of units in the Project to not more than 30% of 60% of area median income, adjusted for family size.

In addition to the Regulatory Agreements, the Borrower will enter into an agreement with the County in connection with the Subordinate Loan which imposes restrictions on the incomes of tenants, rent levels and rent increases.

Limited Recourse to Borrower

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

ENFORCEABILITY OF REMEDIES

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

TAX MATTERS

Federal Tax Exemption

In the opinion of Hawkins, Delafield & Wood, as Bond Counsel, assuming continuing compliance with certain tax covenants, under existing law, interest on the Bonds is excludable from gross income for Federal income tax purposes under 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 is a "substantial user" of the facilities financed with the Bond proceeds or a "related person," both within the meaning of Section 147(a) of the Code. In addition, however, interest on the Bonds is treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations.

Certain Ongoing Federal Tax Requirements and Covenants

The Code imposes certain significant ongoing requirements that must be met after the issuance and delivery of the Bonds in order to assure that the interest on the Bonds will be and will remain excludable from gross income for Federal income tax purposes. These requirements include, but are not limited to, requirements relating to use and expenditure of proceeds, low-income occupancy targeting, yield and other restrictions on investments of proceeds, and the arbitrage rebate requirement that certain excess earnings on

investments of gross proceeds of the Bonds be rebated to the Federal Government. Noncompliance with such requirements may cause interest on the Bonds to become subject to Federal income taxation retroactive to their date of issuance, regardless of the date on which such noncompliance occurs or is discovered. The Administration has covenanted in the Indenture that it shall do and perform all acts permitted by law that are necessary or desirable to assure that interest on the Bonds will be and will remain excluded from gross income for Federal income tax purposes. 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 will require the Borrower to make certain covenants in the Loan program documents relating to compliance with the requirements of the Code. No assurance can be given, however, that in the event of a breach of any such covenant, the remedies available to the Administration or the owners of the Bonds can be enforced judicially in a manner to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income of the interest on the Bonds for Federal income tax purposes. Furthermore, such Federal tax compliance covenants will be subordinate to the rights of Fannie Mae under the Loan Documents and the enforcement of such covenants will be subject to Fannie Mae approval.

Low-income Set-aside Requirements under the Code

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 Borrower has elected to comply with the test set forth in (ii) of the immediately preceding sentence. The Administration will make an election 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 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 units in such project are first occupied, (ii) the first day on which no tax-exempt private activity bonds issued with respect to the Project remain outstanding, or (iii) the date upon which any assistance provided under Section 8 of the United States Housing Act of 1937, as amended, terminates. The 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 General Federal Tax Consequences

The following is a brief discussion of certain general Federal income tax matters with respect to the Bonds under existing law. It does not purport to deal with all aspects of Federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules,

are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

Interest on the Bonds is treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed by the Code on individuals and corporations under Section 55 of the Code. Interest on the Bonds must also 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.

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 certain foreign corporations), financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and individuals otherwise eligible for the earned income tax credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes.

Legislation affecting municipal bonds is frequently considered by the United States Congress. 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.

State of Maryland Tax Exemption

In addition, in the opinion of Bond Counsel, under existing law, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, 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.

LITIGATION

There is no pending litigation of any nature restraining or enjoining or seeking to restrain or enjoin the issuance, sale or delivery of any of the Bonds or in any way contesting or affecting the validity of any of the Bonds, the Indenture or other proceedings of the Secretary of Housing and Community Development taken with respect to the authorization, issuance or sale of the Bonds, or the pledge or application of any moneys under the Indenture, or the existence or powers of the Administration.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving opinion of Hawkins, Delafield & Wood, Washington, D.C., as Bond Counsel. A complete copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix D.

Certain legal matters will be passed upon for the Administration by an Assistant Attorney General of the State of Maryland as Counsel to the Department; for the Borrower by Swidler Berlin Shereff Friedman LLP, Washington, D.C.; for Fannie Mae by its Legal Department and by Arent Fox Kintner Plotkin & Kahn, PLLC, Washington, D.C.; and for the Underwriters by their counsel, Holland & Knight, LLP, Washington D.C. Fees and expenses of certain of the above-mentioned counsel are contingent upon issuance of the Bonds.

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

The 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 a legal opinion, the opinion giver does not become an insurer or guarantor of that 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.

The remedies available to the Bondholders upon a default under the Indenture or Financing Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the federal bankruptcy code), the remedies provided in the Indenture and the Financing Agreement may not be readily available or may be limited.

RATINGS

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

UNDERWRITING

The Underwriters identified on the cover page hereof have agreed, subject to certain conditions, to purchase the Bonds from the Administration at a price of par, plus accrued interest thereon. As consideration for its purchase of the Bonds, the Underwriters will be paid a fee equal to \$55,431.22 from which the Underwriters will pay certain expenses.

The obligation of the Underwriters to purchase the Bonds is subject to certain terms and conditions set forth in the purchase contract entered into among the Underwriters, the Borrower and the Administration. The Bonds may be offered and sold to certain dealers, banks and others at prices lower than the initial offering prices, and such initial offering prices may be changed, from time to time, by the Underwriters.

MISCELLANEOUS

This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as

representations of fact. This Official Statement is not to be construed as a contract or agreement between the Administration and the purchasers or owners of any of the Bonds. The use of this Official Statement has been duly approved by the Administration and the Borrower.

COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT

By: /s/ Fran D. Makle
Fran D. Makle
Deputy Director

FAIRFIELD PARKLANE LP

By: FF Parklane LLC, its General Partner

By: FF Properties, Inc., its Manager

By: /s/ Stanley Herskovitz
Stanley Herskovitz
Vice President

APPENDIX A

CERTAIN DEFINITIONS

"Account" means an account established within a Fund.

"Act" means Sections 2-201 to 2-208, inclusive, of Article 83B of the Annotated Code of Maryland, as amended.

"Act of Bankruptcy" means any proceeding instituted under the Bankruptcy Code or other applicable insolvency law by or against the Administration.

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

"Administration" means 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.

"Administration's Fee" means the Administration's annual fee equal to 0.25 percent of the principal amount of Bonds Outstanding payable by the Borrower in advance semiannually in accordance with the Financing Agreement.

"Advance" means an advance made under the Credit Facility.

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

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

"Alternate Credit Provider" means the provider of an Alternate Credit Facility.

"Assignment" means the Assignment and Intercreditor Agreement, dated as of July 1, 2001, among the Administration, the Trustee and Fannie Mae, and acknowledged, accepted and agreed to by the Borrower, as it may be amended, supplemented or restated from time to time.

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

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

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

"Beneficial Owner" means, for any Bond which is held by a nominee, the beneficial owner of such Bond.

"BMA Index Rate" means the rate published in The Bond Market Association Municipal Swap Index, produced by Municipal Market Data, a Thomson Financial Services Company, or its successors.

"Bond" or **"Bonds"** means the Administration's Multifamily Development Revenue Bonds (Parklane Apartments Project) Series 2001 C.

"Bond Counsel" means (i) on the Closing Date, the law firm or law firms delivering the approving opinion(s) with respect to the Bonds or (ii) after the Closing Date, any law firm selected by the Administration and acceptable to the Credit Provider of nationally recognized standing in matters pertaining to the excludability from gross income, for federal income tax purposes, of the interest payable on bonds issued by states and political subdivisions.

"Bond Documents" means the Assignment, the Bonds, the Bond Purchase Agreement, the Credit Facility, the Disclosure Agreement, if any, the Financing Agreement, the Indenture, the Tax Regulatory Agreement (and any other agreement relating to rental restrictions on the Project), the Remarketing Agreement, the Tax Certificate, any Tender Agent Agreement, and all other documents, instruments and agreements executed and delivered in connection with the issuance, sale, delivery and/or remarketing of the Bonds, as each such agreement or instrument may be amended, supplemented or restated from time to time.

"Bond Purchase Agreement" means the Bond Purchase Agreement among the Underwriters, the Administration and the Borrower.

"Bond Purchase Fund" means the Bond Purchase Fund created under the Indenture.

"Bond Register" means the Bond Register maintained by the Trustee pursuant to the Indenture.

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

"Bondholder Tender Notice" means a written notice meeting the requirements of the Indenture.

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

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

"Borrower" means Fairfield Parklane LP, a Delaware limited partnership.

"Business Day" means any day other than (i) a Saturday or a Sunday, (ii) any day on which banking institutions located in the City of New York, New York are required or authorized by law or executive order to close, (iii) any day on which banking institutions located in the city or cities in which the Principal Office of the Trustee or the Remarketing Agent is located are required or authorized by law or executive order to close, (iv) prior to the Fixed Rate Adjustment Date, a day on which the New York Stock Exchange is closed, (v) on or after the Conversion Date, a day on which banking institutions located in the city in which the Principal Office of the Loan Servicer is located are required or authorized by law or executive order to close, (vi) so long as a Credit Facility is in effect, any day on which the Credit Provider is closed, or (vii) a day on which the Qualified Financial Institution that is a party to an Investment Agreement under paragraph (g) of the definition of Permitted Investments is closed (but only so long as such Investment Agreement is in effect).

"Capitalized Interest Account" means the Capitalized Interest Account of the Loan Fund.

"Closing Date" means the date on which the Bonds are issued and delivered to or upon the order of the Underwriters.

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

"Conditional Redemption" means a redemption with respect to which a notice of redemption has been given to Bondholders and in which notice the Trustee has stated that the redemption is conditioned upon a deposit of funds as further described in the Indenture.

"Conditions to Conversion" means the condition required by Fannie Mae to be met in order for the Loan to convert to the Permanent Phase as set forth in the Construction Phase Financing Agreement.

"Construction Lender" means Bank of America, N.A.

"Construction Phase" means the period beginning on the date of closing of the Bonds and continuing until the Conversion Date.

"Construction Phase Credit Facility" means the Letter of Credit.

"Construction Phase Credit Reimbursement Agreement" means the Reimbursement Agreement dated as of July 1, 2001 between the Borrower and the Construction Lender, as amended, modified, supplemented or restated from time to time.

"Construction Phase Financing Agreement" means the Construction Phase Financing Agreement, dated as of July 1, 2001, by and among the Credit Provider, the Loan Servicer and the Construction Lender, and acknowledged, accepted and agreed to by the Borrower, as amended, modified, supplemented or restated from time to time.

"Conversion" means the conversion of the Loan from the Construction Phase to the Permanent Phase, which shall be August 1, 2003 or such later date as consented to by the Credit Provider.

"Conversion Date" means the effective date of Conversion pursuant to the terms and conditions of the Construction Phase Financing Agreement.

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

"Costs of Issuance" includes certain fees, costs and expenses of the Administration, the Administration's counsel, the Administration's financial advisor, the Underwriters, the Underwriters' counsel, Bond Counsel, the Trustee, the Trustee's counsel, the Loan Servicer, the Loan Servicer's counsel, the Credit Provider, the Credit Provider's counsel, the Borrower's counsel, the Rating Agency, (provided that ongoing fees payable after the date of closing of the Bonds are not included in any of the foregoing) and all other fees, costs and expenses directly associated with the authorization, issuance, sale and delivery of the Bonds.

"Costs of Issuance Deposit" means the deposit to be made by the Borrower with the Trustee on the Closing Date as required by the Financing Agreement, to be deposited into the Costs of Issuance Fund and applied to pay Costs of Issuance.

"Costs of Issuance Deposit Account" means the Costs of Issuance Deposit Account of the Costs of Issuance Fund.

"Costs of Issuance Fund" means the Costs of Issuance Fund created under the Indenture.

"Credit Facility" means the Credit Enhancement Instrument, dated July 11, 2001 issued by Fannie Mae to the Trustee, or any Alternate Credit Facility in effect at the time, as amended, supplemented or restated from time to time.

"Credit Facility Account" means the Credit Facility Account of the Revenue Fund.

"Credit Facility Documents" means the Reimbursement Agreement and all other agreements and documents securing the Credit Provider or otherwise relating to the provision of the Credit Facility, as any such agreement may be amended, supplemented or restated from time to time.

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

"Designated Office" means, with respect to the Trustee and the Tender Agent, Allfirst Bank, Corporate Trust Department, 25 South Charles Street, Baltimore Maryland 21201.

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

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

"Extension Date" means, with respect to an Alternate Credit Facility, the date which is five Business Days prior to the expiration date of the Alternate Credit Facility.

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

"Facility Fee" means the monthly fee owed to the Credit Provider by the Borrower pursuant to the Reimbursement Agreement.

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

"Fees Account" means the Fees Account of the Revenue Fund.

"Financing Agreement" means the Financing Agreement, dated as of July 1, 2001, among the Administration, the Trustee and the Borrower, as amended, supplemented or restated from time to time.

"Fixed Rate" means the rate of interest borne by the Bonds as determined in accordance with the Indenture at a rate fixed to the maturity of the Bonds.

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

"Fixed Rate Period" means the period beginning on the Fixed Rate Adjustment Date and ending on the Maturity Date.

"Fund" means any fund created under the Indenture.

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

"Highest Rating Category" has, with respect to an Investment, the following meanings: If the Bonds are rated by a Rating Agency, the term "Highest Rating Category" means, with respect to an Investment, that the Investment is rated by each Rating Agency in the highest rating given by that Rating Agency for that general category of security. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the term "Highest Rating Category" means, with respect to an Investment, that the Investment is rated either by Moody's (if only Moody's rates such Investment) or by both S&P and Moody's (if both Moody's and S&P rate such Investment) in the highest rating given by that rating agency for that general category of security. By way of example, the Highest Rating Category for tax-exempt municipal debt established by S&P is "A-1+ " for debt with a term of one year or less and "AAA" for a term greater than one year, with corresponding ratings by Moody's of "MIG 1" (for fixed rate) or "VMIG 1" (for variable rate) for one year or less and "Aaa" for greater than one year.

"Indenture" means this Trust Indenture, as amended, supplemented or restated from time to time.

"Interest Account" means the Interest Account of the Revenue Fund.

"Interest Payment Date" means during any Weekly Variable Rate Period, the 15th day of each calendar month commencing August 15, 2001.

"Interest Requirement" means during the Weekly Variable Rate Period, 35 days interest on the Bonds at the Maximum Rate on the basis of a 365-or 366-day year, as applicable, for the actual number of days elapsed or such other number of days as may be required by the Rating Agency.

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

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

"Investment Income" means the earnings, profits and accreted value derived from the investment of moneys.

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

"Loan" means the loan made by the Administration to the Borrower pursuant to the Financing Agreement and evidenced by the Note for the purpose of providing funds to the Borrower to finance costs of the acquisition, rehabilitation and equipping of the Project.

"Loan Documents" means, collectively, the Note, the Security Instrument and all other documents, agreements and instruments evidencing, securing or otherwise relating to the Loan, as each such document, agreement or instrument may be amended, supplemented or restated from time to time. Neither the Financing Agreement nor the Regulatory Agreements are Loan Documents and such documents are not secured by the Security Instrument.

"Loan Fund" means the Loan Fund created by the Indenture.

"Loan Servicer" means Berkshire Mortgage Finance Limited Partnership, a Massachusetts limited partnership, as servicer of the Loan, and any successor multifamily mortgage loan servicer designated from time to time by the Credit Provider.

"Mandatory Tender Date" means any date on which Bonds are required to be tendered pursuant to Section 4.2, including any Adjustment Date (including any proposed Adjustment Date), Substitution Date, Rating Notice Date, Extension Date or date specified by the Trustee as provided in Section 4.2(b).

"Maturity Date" means February 15, 2034.

"Maximum Rate" means 12 percent per annum; provided, however, that the Maximum Rate may be increased if the Trustee receives (i) the written consent of the Credit Provider and the Borrower to a specified higher Maximum Rate not to exceed the lesser of the maximum rate permitted by law to be paid on the Bonds and the maximum rate chargeable on the Loan, (ii) an opinion of Bond Counsel to the effect that such higher Maximum Rate is permitted by law and will not adversely affect either the validity of the Bonds or the exclusion of the interest payable on the Bonds from gross income for federal income tax purposes, and (iii) a new or amended Credit Facility in an amount equal to the sum

of (A) the then outstanding principal amount of the Bonds and (B) the new Interest Requirement calculated using the new Maximum Rate.

"Mode" means any of the Weekly Variable Rate, the Reset Rate and the Fixed Rate.

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

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

"Net Bond Proceeds Account" means the Net Bond Proceeds Account of the Costs of Issuance Fund.

"Note" means the Multifamily Note (together with all addenda thereto), executed by the Borrower in favor of the Administration, as it may be amended, supplemented or restated from time to time or any mortgage note executed in substitution therefor in accordance with the Bond Documents, as such substitute note may be amended, supplemented or restated from time to time.

"Note Interest" means the interest payable on the Loan as defined in the Note.

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

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

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

"Permanent Phase" means the period beginning on the Conversion Date through the maturity of the Loan.

"Permitted Investments" means, to the extent authorized by law for investment of moneys of the Administration:

- (a) Government Obligations.
- (b) Direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, any agency or instrumentality of the United States of America (other than the Federal Home Loan Mortgage Corporation) or direct obligations of the World Bank, which obligations are rated in the Highest Rating Category.
- (c) Obligations, in each case rated in the Highest Rating Category, of (i) any state or territory of the United States of America, (ii) any agency, instrumentality, authority or political subdivision of a state or territory, (iii) any public benefit or municipal corporation the principal of and interest on which are guaranteed by such state or political subdivision or (iv) any state or territory of the United States of America or any agency, instrumentality, authority, or political subdivision of a state or territory which have been advance refunded and which are secured by Government Obligations.
- (d) Any written repurchase agreement entered into with a Qualified Financial Institution whose unsecured long-term and short-term obligations are rated in the Highest Rating Category.
- (e) Commercial paper rated in the Highest Rating Category.
- (f) Interest-bearing negotiable certificates of deposit, interest-bearing time deposits, interest-bearing savings accounts and bankers' acceptances, issued by a Qualified Financial Institution if the Qualified Financial Institution's unsecured long-term and short-term obligations are rated in the Highest Rating Category.
- (g) An agreement held by the Trustee for the investment of moneys at a guaranteed rate (an **"Investment Agreement"**) with (i) the Credit Provider or (ii) a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category, or whose obligations are unconditionally guaranteed or insured by a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category; provided that (A) the Investment Agreement is in a form acceptable to the Administration, the Construction Lender and the Credit Provider, (B) that notice of the Investment Agreement is provided to the Rating Agency prior to its execution and delivery and (C) provided further that such agreement includes the following restrictions:
 - (1) the invested funds will be available for withdrawal without penalty or premium, at any time that (A) the Trustee is required to pay moneys from the Fund(s) to which the Investment Agreement is applicable, or (B) any Rating Agency indicates that it will lower, suspend or withdraw or actually lowers, suspends or withdraws the rating on the Bonds on account of the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the Investment Agreement;
 - (2) the Investment Agreement, and if applicable the guarantee or insurance, is an unconditional and general obligation of the Qualified Financial Institution providing

and, if applicable, the Qualified Financial Institution guaranteeing or insuring, the Investment Agreement, and ranks pari passu with all other unsecured unsubordinated obligations of the Qualified Financial Institution providing, and if applicable, the Qualified Financial Institution guaranteeing or insuring, the Investment Agreement;

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

(h) Subject to the ratings requirements set forth in this definition, shares in any money market mutual fund (including those maintained by the Trustee or any of its affiliates for which the

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

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

Permitted Investments shall not include any of the following:

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

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

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

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

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

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

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

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

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

"Pledged Bond" means any Bond during the period from and including the date of its purchase by the Trustee on behalf of and as agent for the Borrower with the proceeds of an Advance under the Credit Facility, to, but excluding, the date on which such Advance made by the Credit Provider is reinstated under the Credit Facility.

"Pre-Conversion Loan Equalization Payment" means a partial prepayment of the Loan made by the Borrower to reduce the Loan amount on or before the Conversion Date.

"Principal Amount" means \$9,800,000, the original principal amount of the Bonds on the Closing Date.

"Principal Reserve Amount" means an amount equal to 20% of the aggregate principal amount of the Bonds Outstanding on the Conversion Date.

"Principal Reserve Fund" means the Principal Reserve Fund created under the Indenture.

"Principal Reserve Schedule" means the Schedule of Deposits to Principal Reserve Fund attached to the Reimbursement Agreement, as such schedule may be amended, supplemented or restated from time to time.

"Project Account" means the Project Account of the Loan Fund.

"Qualified Financial Institution" means any of the following entities if specifically approved by the Administration and the Credit Provider: (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, (v) government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, (vi) securities dealer approved in writing by the Credit Provider the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation and (vii) any other entity which is acceptable to the Credit Provider. With respect to an entity which provides an Investment Agreement or an entity which guarantees or insures, as applicable, the Investment Agreement, a "Qualified Financial Institution" may also be a corporation or limited liability company organized under the laws of any state of the United States of America.

"Rate Determination Date" means with respect to the Weekly Variable Rate, Tuesday of each week, or if such Tuesday is not a Business Day the preceding Business Day.

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

"Rating Notice Date" means that date established by the Administration and the Credit Provider on which the Bonds are subject to mandatory tender for purchase due to a reduction in the rating on the Bonds in accordance with the Indenture.

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

"Rebate Fund" means the Rebate Fund created by the Indenture.

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

"Redemption Account" means the Redemption Account of the Revenue Fund.

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

"Regulatory Agreements" means, collectively, the Tax Regulatory Agreement and the Extended Low Income Housing Covenant for Low Income Housing Tax Credits between the Administration and the Borrower, as such agreements may be amended and supplemented.

"Reimbursement Agreement" means the Reimbursement Agreement, dated as of July 1, 2001, between the Credit Provider and the Borrower, as amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

"Remarketing Agent" means Bear, Stearns & Co. Inc. or any successor as Remarketing Agent designated in accordance with the Indenture.

"Remarketing Agreement" means the Remarketing Agreement by and among the Administration, the Borrower and the Remarketing Agent, as amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

"Reserved Rights" means those certain rights of the Administration under (i) the Financing Agreement to indemnification and to payment or reimbursement of fees and expenses of the Administration, its right to give and receive notices and to enforce notice and reporting requirements, its right to inspect and audit the books, records and premises of the Borrower and of the Project, its right to collect attorneys' fees and related expenses, its right to specifically enforce the Borrower's

covenant to comply with applicable federal tax law and State law (including the Act and the rules and regulations of the Administration, if any), and its rights to give or withhold consent to amendments, changes, modifications and alterations to the Financing Agreement and the Regulatory Agreements and (ii) the Completion Assurance Agreement, dated as of July 1, 2001, by and between the Issuer and the Borrower and the related letter of credit securing such agreement issued by Bank of America, N.A.

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

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

"Reset Rate" means the rate of interest borne by the Bonds during a Reset Period.

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

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

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

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

"Security Instrument" means the Multifamily Deed of Trust, Assignment of Rents and Security Agreement dated as of July 1, 2001, together with all riders and exhibits, securing the Note and the obligations of the Borrower to the Credit Provider under the Credit Facility Documents, executed by the Borrower with respect to the Project, as amended, supplemented or restated from time to time, or any security instrument executed in substitution therefor, as such substitute security instrument may be amended, supplemented or restated from time to time.

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

"State" means the State of Maryland.

"Substitution Date" means the date upon which an Alternate Credit Facility is to be substituted for the Credit Facility then in effect, which date must be an Interest Payment Date during a Weekly Variable Rate Period or an Adjustment Date which immediately follows a Reset Period.

"Tax Certificate" means the Borrower's Tax Certificate, dated the Closing Date executed the Borrower.

"Tax Regulatory Agreement" means the Regulatory Agreement and Agreement and Declaration of Covenants and Restrictions relating to the Project between the Administration and the Borrower, as it may be amended, supplemented or restated from time to time.

"Tender Agent" means Allfirst Bank, a Maryland state-chartered commercial bank, or its successor as Tender Agent under the Indenture.

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

"Tender Date" means (i) any Mandatory Tender Date or (ii) any other date on which Bondholders are permitted under the Indenture to tender their Bonds for purchase.

"Tendered Bond" means any Bond which has been tendered for purchase pursuant to the Indenture.

"Termination Date" means July 15, 2003, as the same may be extended with the consent of the Credit Provider.

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

"Trustee" means Allfirst Bank, a state-chartered commercial bank, duly organized and existing under the laws of State of Maryland, or its successors or assigns, or any other corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at any time serving as successor trustee under the Indenture.

"Underwriters" means Bear, Stearns & Co. Inc., Ferris, Baker Watts, Legg Mason Wood Walker, Incorporated and UBS Painewebber, Inc..

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

(a) the first Week will begin on the Closing Date and end on and include July 17, 2001;

(b) the first Week of a Weekly Variable Rate Period immediately following an Adjustment Date will begin on such Adjustment Date and end on the following Tuesday;

(c) any Week ending immediately before an Adjustment Date will begin on a Wednesday and end on the day before such Adjustment Date;

(d) the final Week will begin on a Wednesday and end on the earlier of an Adjustment Date or the Maturity Date; and

(e) the first and last Weeks of a Weekly Variable Rate Period may consist of more (but not more than) 13 or less than 7 days.

"Weekly Variable Rate" means the variable rate of interest per annum for the Bonds determined from time to time during the Weekly Variable Rate Period.

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

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

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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

Additional Provisions concerning the Bonds and the Credit Facility

Each Credit Facility shall satisfy the following requirements:

(a) the Credit Facility shall be in an amount equal to the aggregate principal amount of the Bonds Outstanding from time to time plus the Interest Requirement;

(b) the Credit Facility shall provide for payment to the Trustee upon receipt of the Trustee's request for such payment with respect to any Interest Payment Date, purchase date or redemption date pursuant to the Indenture;

(c) unless waived by the Administration in its sole discretion, the Credit Facility shall result in Bonds receiving a short-term rating in the highest rating category of each Rating Agency or a long-term rating from Moody's of not less than "Aa," or both, as applicable for the Mode then in effect. The failure to maintain such rating shall result in the Bonds being subject to the mandatory tender for purchase on each Rating Notice Date; and

(d) if the Credit Facility is an Alternate Credit Facility, the Credit Facility satisfies the following additional requirements:

- (i) the Substitution Date for the Alternate Credit Facility is an Interest Payment Date;
- (ii) the Alternate Credit Facility is effective on and from the Substitution Date for such Alternate Credit Facility; and
- (iii) the Trustee receives opinion of counsel regarding the Alternate Credit Facility in form and substance satisfactory to the Administration and the Trustee, and 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.

On the Substitution Date, the Trustee shall, if necessary, request an Advance under the Credit Facility being replaced and shall not surrender such Credit Facility until all requests thereon have been honored.

In the event that the Credit Provider gives written notice to the Administration and the Trustee that the Borrower has defaulted in performing certain of its obligations the Reimbursement Agreement (Fannie Mae Right to Convert to Reset Rate, Fixed Rate), then the Credit Provider shall be entitled to exercise all rights of the Borrower to adjust the Mode and the Borrower shall not be entitled to exercise any such rights unless and until the Borrower gives written notice, acknowledged in writing by the Credit Provider, to the Trustee that the Credit Provider has consented to the Borrower's resumption of the exercising of such rights.

Creation of Funds and Accounts

The Indenture creates the following Funds and Accounts:

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

Loan Fund

Amounts on deposit in (i) the Project Account of the Loan Fund shall be disbursed by the Trustee from time to time in accordance for the sole purpose of paying costs of the Project, and (ii) the Capitalized Interest Account shall be transferred automatically by the Trustee to the Interest Account monthly in full or partial satisfaction of monthly interest payments payable by the Borrower under the Note until the Capitalized Interest Account is depleted. Transfers from the Capitalized Interest Account to the Interest Account shall, so long as the Construction Phase Credit Facility is outstanding, be made no later than three Business Days prior to the respective dates on which such payments are due to the Bondholders. Upon final disbursement of all amounts on deposit in the Loan Fund, the Trustee shall close the Loan Fund.

Transfers to Effect Certain Mandatory Redemptions of Bonds. On or before the Conversion Date (and, if applicable, from time to time after the Conversion Date) the Trustee shall transfer to the Redemption Account any amounts remaining on deposit in the Loan Fund which are not required to pay costs of the Project not yet due and payable or which are being contested in good faith, in the case of any such transfer on or before the Conversion Date, as determined by the written direction of the

Construction Lender and in the case of any such transfer after the Conversion Date, as determined by the written direction of the Loan Servicer. The Trustee shall apply any amounts so transferred to the redemption of Bonds.

If the Loan Servicer does not issue the Conversion Notice prior to or on the Termination Date, the Trustee shall, unless otherwise directed in writing by the Credit Provider, transfer any amounts remaining on deposit in the Loan Fund on the Termination Date to the Redemption Account, provided that if the Trustee purchases the Bonds for the account of the Construction Lender pursuant to the Indenture, such transfer shall be made on such later date as shall be specified by the Construction Lender. The Trustee shall apply any amounts so transferred to the Redemption Account to the redemption of Bonds.

Immediately prior to any mandatory redemption of the Bonds in whole as a result of a casualty, condemnation, default by the Borrower or failure of Conversion, any amounts then remaining in the Loan Fund shall, at the written direction of the Credit Provider, be transferred to the Redemption Account to be applied to the redemption of Bonds pursuant to the applicable provision.

Revenue Fund - Interest Account

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

- (1) moneys provided by or on behalf of the Borrower relating to an interest payment, including any prepayment under the Note or the payment of the Facility Fee;
- (2) moneys transferred from the Capitalized Interest Account;
- (3) all Investment Income on the Funds and Accounts (except that Investment Income earned on amounts on deposit in the Accounts of the Loan Fund, the Rebate Fund, the Accounts of the Costs of Issuance Fund, and the Principal Reserve Fund shall be credited to and retained in those respective Funds or Accounts); and
- (4) any other moneys made available for deposit into the Interest Account from any other source.

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

- (1) on each Interest Payment Date, Redemption Date and date of acceleration of the Bonds, the Trustee shall disburse to the Credit Provider the amount of any Advance under the Credit Facility relating to the payment of interest on the Bonds, unless the Credit Provider has been timely reimbursed by the Loan Servicer for the amount of such Advance;

(2) in the event of a Wrongful Dishonor until such Wrongful Dishonor is cured, the Trustee shall disburse to the Bondholders on each Interest Payment Date, an amount equal to the interest due on the Bonds on such date;

(3) on each Interest Payment Date on or before the Conversion Date, to the Credit Provider the amount of its Facility Fee; and

(4) unless (A) there is a deficiency in the Principal Reserve Fund, the Fees Account or the Rebate Fund or (B) an Event of Default under the Reimbursement Agreement or any Bond Document or a default under any Loan Document has occurred and is continuing, on each Interest Payment Date the Trustee shall disburse to the Borrower the Investment Income earned on or transferred to the Interest Account from and after the preceding Interest Payment Date or the Closing Date, as applicable; provided, however, that, prior to the Conversion Date, all amounts which would otherwise be paid to Borrower under this subparagraph (4) shall instead be paid to the Construction Lender for deposit by the Construction Lender in the "Borrower's Funds Account" (as defined in the Construction Phase Reimbursement Agreement). If a deficiency exists in the Principal Reserve Fund, the Fees Account or the Rebate Fund, such Investment Income shall be transferred to the Principal Reserve Fund, the Fees Account and/or the Rebate Fund, in that order of priority, prior to any payment to the Borrower.

Revenue Fund - Redemption Account

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

(1) moneys transferred from the Loan Fund;

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

(3) moneys transferred from the Principal Reserve Fund; and

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

Disbursements from the Redemption Account. On each Redemption Date, on the date of acceleration of the Bonds and on the Maturity Date, the Trustee shall disburse from the Redemption Account (i) to the Credit Provider, the amount of any Advance under the Credit Facility relating to the payment of principal on the Bonds unless the Credit Provider has been timely reimbursed by the Loan Servicer for the amount of such Advance or (ii) in the event of a Wrongful Dishonor, to the Bondholders, an amount equal to the principal due on the Bonds on such date. The Trustee shall also apply amounts on deposit in the Redemption Account to pay the purchase price of Special Purchase Bonds.

Revenue Fund - Credit Facility Account

Deposits into the Credit Facility Account. The Trustee shall deposit into the Credit Facility Account all Advances under the Credit Facility, except for Advances on account of the Administration's Fee and Advances required to be deposited into the Bond Purchase Fund. No other moneys will be deposited into the Credit Facility Account and the Credit Facility Account shall be maintained as a segregated account and moneys in it shall not be co-mingled with any other moneys held under the Indenture.

Transfers from the Credit Facility Account. Amounts deposited into the Credit Facility Account will be applied on the date payment is due to the payments for which the Advance was made pursuant to the Credit Facility.

Revenue Fund - Fees Account

The Trustee shall deposit into the Fees Account the (i) payments made by the Borrower under the Financing Agreement attributable to the Administration's Fee, and the fees and expenses of the Trustee, the Tender Agent, the Remarketing Agent and the Rebate Analyst (collectively, "**Third Party Fees**"), and (ii) amounts, if any, derived from the Credit Facility for the payment of the Administration's Fee. On any date on which any amounts are required to pay any Third Party Fees, such amounts shall be withdrawn by the Trustee from the Fees Account for payment of such Third Party Fees to the appropriate party, provided, however, that amounts derived from the Credit Facility and deposited into the Fees Account will be used only to pay the Administration's Fee when due.

Costs of Issuance Fund

On the Closing Date, the Trustee shall deposit or transfer, as applicable, the Costs of Issuance Deposit into the Costs of Issuance Deposit Account of the Costs of Issuance Fund. On the date of closing of the Bonds, the Trustee shall deposit any Net Bond Proceeds received to pay Costs of Issuance into the Net Bond Proceeds Account of the Costs of Issuance Fund.

The Trustee shall disburse moneys on deposit in the Costs of Issuance Fund, pursuant to requisitions signed by the Borrower and countersigned by the Construction Lender, to pay Costs of Issuance. Moneys on deposit in the Costs of Issuance Fund shall not be part of the Trust Estate and shall be used solely to pay Costs of Issuance. Any moneys remaining in the Costs of Issuance Deposit Account of the Costs of Issuance Fund six months after the Closing Date and not needed to pay still unpaid Costs of Issuance will be returned to the Borrower.

Rebate Fund

The Trustee shall hold and apply the Rebate Fund as provided in the Tax Certificate from funds provided by the Borrower. Moneys on deposit in the Rebate Fund shall not be part of the Trust Estate.

Bond Purchase Fund

Deposits into Bond Purchase Fund. The Trustee shall deposit each of the following into the Bond Purchase Fund:

- (1) remarketing proceeds received upon the remarketing of Tendered Bonds to any person;
- (2) Pledged Bond Advances under the Credit Facility to enable the Trustee to pay the purchase price of Tendered Bonds to the extent that moneys obtained pursuant to subparagraph (1) above are insufficient on any date to pay the purchase price of Tendered Bonds; and
- (3) moneys from the Borrower to the extent that moneys obtained pursuant to subparagraphs (1) and (2) above are insufficient on any date to pay the purchase price of Tendered Bonds.

Subject to provisions of the Indenture permitting reimbursement of amounts owed to the Credit Provider, moneys in the Bond Purchase Fund shall be held uninvested and exclusively for the payment of the purchase price of Tendered Bonds.

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

Principal Reserve Fund

Deposits into the Principal Reserve Fund. The Trustee shall deposit each of the following amounts into the Principal Reserve Fund:

- (1) All of the monthly payments made by the Borrower in accordance with the Reimbursement Agreement, as such schedule may be amended in accordance with the provisions of the Reimbursement Agreement; and
- (2) Investment Income earned on amounts on deposit in the Principal Reserve Fund.

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

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

Bond Documents or the Credit Facility Documents (including any amounts required to be paid to the Credit Provider);

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

(3) at the written direction of the Credit Provider, if a default has occurred under any Credit Facility Document, any Loan Document or any Bond Document, to the Credit Provider for any use approved in writing by the General Counsel of the Credit Provider or, at the written direction of the Credit Provider, to the Redemption Account for the redemption of Bonds in whole or in part;

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

(5) on each Adjustment Date, to the Redemption Account;

(6) during a Weekly Variable Rate Period, on the tenth Business Day prior to each Interest Payment Date, all amounts on deposit in the Principal Reserve Fund (rounded downward to the nearest integral multiple of \$100,000) in excess of the Principal Reserve Amount shall (i) be transferred to the Redemption Account or (ii) be retained in the Principal Reserve Fund with the written consent of the Credit Provider and if an opinion of Bond Counsel to the Administration is delivered to the Administration, the Trustee and the Credit Provider that such retention will not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes; and

(7) to the Borrower, Investment Income on moneys in the Principal Reserve Fund on the Interest Payment Date following receipt by the Trustee of such Investment Income; provided (i) there is no deficiency in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account or the Rebate Fund, and (ii) no default exists under any Credit Facility Documents, any Loan Document or any Bond Document. If a deficiency exists in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account or the Rebate Fund, the Trustee shall transfer such Investment Income to the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account and/or the Rebate Fund, in that order of priority, prior to any payment to the Borrower.

Nonpresentment of Bonds

In the event any Bond is not presented for payment when the principal of such Bond becomes due if amounts sufficient to pay such Bond have been deposited with the Trustee for the benefit of the owner of the Bond and have remained unclaimed for two years after such principal has become due and

payable, such amounts, to the extent amounts are owed to the Credit Provider as set forth in a written statement of the Credit Provider addressed to the Trustee, shall be paid to the Credit Provider, with any excess to be paid to the Borrower. Upon such payment, all liability of the Administration and the Trustee to the holder of any Bond for the payment of such Bond will cease and be completely discharged, provided, however, that the Trustee, before being required to make any such payment to the Credit Provider or the Borrower, shall cause to be published once in a financial newspaper or journal of general circulation in New York, New York, notice that such moneys remain unclaimed and that, after a date specified in such notice, which will not be less than 30 days from the date of such publication, any unclaimed balance of such moneys then remaining will be paid to the Credit Provider or the Borrower.

Investment Limitations

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

Limitations on Rights of Credit Provider

All provisions in the Indenture regarding consents, approvals, directions, waivers, appointments, requests or other actions by the Credit Provider shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Provider were not mentioned in such provisions (i) if a Wrongful Dishonor has occurred and is continuing, or (ii) after the Credit Facility is declared to be null and void by final judgment of a court of competent jurisdiction; provided, however, that the Credit Provider's right to notices and the payment of amounts due to the Credit Provider shall continue in full force and effect. Notwithstanding the foregoing, if Fannie Mae assigns its rights under the Indenture to the Construction Lender, all references in the Indenture to the Credit Provider shall be and remain in full force and effect but shall be deemed references to the Construction Lender.

Credit Provider to Control Insolvency Proceedings

Each Bondholder, by its purchase of Bonds, the Trustee and the Administration agree that the Credit Provider may at any time during the continuation of an insolvency proceeding of the Administration or the Borrower direct all matters relating to the Bonds in any such proceeding, including, without limitation, (i) all matters relating to any Preference Claim, (ii) the direction of any appeal of any order relating to any Preference Claim and (iii) the posting of any surety, supersedeas or performance bond pending any such appeal.

Rights of Construction Lender

The Administration and the Trustee acknowledge that, prior to the Conversion Date, and subject to the applicable terms and conditions of the Construction Phase Financing Agreement, the Construction Lender may, by assignment from the Credit Provider, succeed to the interests of the Credit Provider under the Bond Documents and the Loan Documents with the authority to exercise the rights otherwise granted to the Credit Provider under the Bond Documents and the Loan Documents.

Discharge of Lien and Security Interest

Upon satisfaction of the conditions set forth below, the Trustee shall cancel and discharge the Indenture, and the pledge and assignment of the Security.

The conditions precedent to the cancellation and discharge of the Indenture are: (i) payment in full of the Bonds, (ii) payment of the Trustee's Annual Fee and the Trustee's ordinary costs and expenses under the Indenture, (iii) receipt by the Trustee of a written statement from the Credit Provider stating that all obligations owed to the Credit Provider under the Credit Facility Documents have been fully paid (and, if the Conversion Date has not occurred on or before the Termination Date, receipt by the Trustee of a written statement from the Construction Lender stating that (A) the Letter of Credit has been fully drawn, and (B) all amounts owing under the Construction Phase Credit Documents have been fully paid), (iv) payment of all Extraordinary Items, (v) receipt by the Trustee of a written statement from the Administration stating that all amounts owed to the Administration in respect of Reserved Rights have been fully paid, and (vi) receipt by the Trustee of an opinion of counsel stating that all conditions precedent to the satisfaction and discharge of the Indenture have been satisfied.

Events of Default

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

- (1) default in the payment when due and payable of any interest due on any Bond (other than a Pledged Bond);
- (2) default in the payment when due and payable of (A) the principal of or any redemption premium on any Bond (other than a Pledged Bond) or (B) the purchase price of any Tendered Bond (other than a Pledged Bond);

(3) default in the observance or performance of any covenant, agreement, warranty or representation on the part of the Administration included in the Indenture or in the Bonds (other than an Event of Default set forth in subparagraphs (1) or (2) above) and the continuance of such default for a period of 30 days after written notice of the default from the Trustee to the Administration, the Credit Provider, the Loan Servicer, the Construction Lender and the Borrower;

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

(5) an Act of Bankruptcy; or

(6) a Wrongful Dishonor.

Non-Default and Prohibition of Mandatory Redemption Upon Tax Event

The occurrence of any event ("Tax Event") which results in the interest payable on the Bonds being includable, for federal income tax purposes, in the gross income of the Bondholders, including any violation of any provision of the Tax Regulatory Agreement or any of the other Bond Documents, shall not constitute an Event of Default under the Indenture unless the Credit Provider provides written notice to the Trustee that such Tax Event constitutes a default under the Reimbursement Agreement. Notwithstanding the availability of the remedy of specific performance to cure a Tax Event that is curable within a reasonable period, neither the Administration nor the Trustee shall have, upon the occurrence of a Tax Event, any right or obligation to cause or direct acceleration of the Bonds or the Loan, to enforce the Note or to foreclose the Security Instrument, to accept a deed to the Project in lieu of foreclosure, or to effect any other comparable conversion of the Loan.

Remedies

Acceleration. Upon:

(1) the occurrence and during the continuance of a Wrongful Dishonor, the Trustee may, and, upon the written request of Bondholders owning not less than 51 percent in aggregate principal amount of Bonds then Outstanding, must, by written notice to the Administration, the Borrower, the Credit Provider, the Construction Lender (prior to the Conversion Date) and the Loan Servicer, declare the principal of all Bonds and the interest accrued, and to accrue, on the Bonds to the date of payment immediately due and payable; or

(2) the occurrence of any other Event of Default under the Indenture, the Trustee may, upon receiving the prior written consent of the Credit Provider, and must, upon the written direction of the Credit Provider requiring that the Bonds be accelerated pursuant to this subsection, by written notice to the Administration, the Borrower, the Credit Provider, the Construction Lender and the Loan Servicer, declare the principal of all Bonds and the interest accrued, and to accrue, on the Bonds to the date of payment immediately due and payable.

Upon any decision to accelerate payment of the Bonds, the Trustee shall notify the Bondholders of the declaration of acceleration, and that, in the event of acceleration pursuant to subparagraph (2) above, interest on the Bonds will cease to accrue upon such declaration, and payment of the Bonds will be made upon presentment of the Bonds at the designated office of the Trustee. Immediately upon acceleration of the Bonds, the Trustee shall request an Advance under the Credit Facility in accordance with its terms.

Other Remedies. Upon the occurrence and continuance of an Event of Default under the Indenture, the Trustee may, with or without acceleration, but only with the prior written consent of the Credit Provider, pursue any of the following remedies:

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

(2) the liquidation of the Trust Estate; or

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

Waiver. Subject to the conditions precedent set forth below, (i) the Trustee may waive, (ii) the Trustee shall waive if directed to do so by the Credit Provider and, prior to the Conversion Date, the Construction Lender in writing, and (iii) Bondholders owning not less than 51 percent in aggregate principal amount of Bonds then Outstanding may waive, by written notice to the Trustee, any Event of Default under the Indenture and its consequences and rescind any declaration of acceleration of maturity of principal. The conditions precedent to any waiver are:

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

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

(c) after the waiver, the Credit Facility must remain in effect in an amount equal to the aggregate principal amount of the Bonds Outstanding (other than Pledged Bonds) plus the Interest Requirement.

Rights of the Credit Provider and the Bondholders to Direct Proceedings

The Credit Provider itself or Bondholders owning not less than 51 percent in aggregate principal amount of Bonds then Outstanding, but only with the prior written consent of the Credit Provider and, prior to the Conversion Date, the Construction Lender, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the Indenture, provided, that such direction will not be otherwise than in accordance with the provisions of law and of the Indenture, and provided that the Trustee will be indemnified to its reasonable satisfaction.

No Bondholder shall have the right to enforce the provisions of the Indenture or the Financing Agreement, or to institute any proceeding for the enforcement of the Indenture or the Financing Agreement, or to take any action with respect to an Event of Default under the Indenture or an Event of Default under the Financing Agreement, or to institute, appear in or defend any suit or other proceeding with respect to the Indenture or the Financing Agreement upon an Event of Default unless (i) such Event of Default is a Wrongful Dishonor, (ii) such Bondholder has given the Trustee, the Administration, the Credit Provider, the Construction Lender (prior to Conversion), the Loan Servicer and the Borrower written notice of the Event of Default, (iii) the holders of not less than 51 percent in aggregate principal amount of Bonds then Outstanding have requested the Trustee in writing to institute such proceeding, (iv) the Trustee has been afforded a reasonable opportunity to exercise its powers or to institute such proceeding, (v) the Trustee has been offered reasonable indemnity, where required, and (vi) the Trustee has thereafter failed or refused to exercise such powers or to institute such proceeding within a reasonable period of time. No Bondholder has or shall have any right in any manner whatever to affect, disturb or prejudice the pledge of revenues or of any other moneys, Funds, Accounts or securities under the Indenture. Except as provided above, no Bondholder shall have the right to seek to enforce, collect amounts available under, or otherwise realize on, the Credit Facility.

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

The Trustee

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

Removal of Trustee. The Trustee may be removed at any time upon 30 days prior written notice to the Trustee, (i) by the Administration, with the prior written consent of the Credit Provider, (ii) by the owners of not less than 51 percent in aggregate principal amount of Bonds then Outstanding, which written instrument shall designate a successor Trustee approved by the Credit Provider, or (iii) by the Credit Provider, with the prior written consent of the Administration. Such resignation or removal shall not be effective until a successor Trustee satisfying the requirements of the Indenture is appointed and has accepted its appointment.

Tender Agent

The Tender Agent will agree to:

- (a) act as agent for the Trustee for the purpose of authenticating, accepting delivery of and delivering Bonds in accordance with the Indenture;
- (b) forward to the Trustee immediately after completion of such authentication the names, addresses, taxpayer identification numbers or social security numbers of all persons in whose names the Bonds are to be registered;
- (c) deliver authenticated and registered Bonds to or to the order of the persons in whose names such Bonds are registered;
- (d) act as agent for the Trustee, hold all moneys delivered to it for the purchase of Bonds in trust in the Bond Purchase Fund for the account of the person who delivered such moneys until the Bonds purchased with such moneys have been registered, authenticated and delivered to or to the order of such person; and
- (e) hold all Bonds delivered to it for purchase in trust for the owner of such Bonds until such owner has received the purchase price for such Bonds.

The Tender Agent may be removed by the Administration with the written approval of the Credit Provider, by an instrument signed by the Administration. The Trustee or the Credit Provider is authorized, with the prior written approval of the Administration and the Credit Provider or the Trustee, as applicable, to remove the Tender Agent and appoint a successor. Any successor Tender Agent shall be a trust company or bank having trust powers and in good standing, within or without the State, having trust powers. In no event shall the resignation or removal of the Tender Agent take effect prior to the date a successor Tender Agent has been appointed and is serving under the Indenture and the Tender Agent Agreement.

Resignation and Removal of Remarketing Agent

The Remarketing Agent may resign upon 30 days written notice to the Trustee and the Administration. Upon receipt of such notice or upon termination of the Remarketing Agent's corporate existence, the Administration, with the prior written consent of the Credit Provider and, prior to the Conversion Date, the Construction Lender, shall appoint a successor Remarketing Agent, which must

be a trust company or bank or investment bank in good standing. If the Administration fails or refuses to make such appointment prior to the effective date of the resignation set forth in such notice, or upon such termination of existence, the Credit Provider may appoint a successor Remarketing Agent. The Administration (with the consent of the Credit Provider) or the Credit Provider (with the consent of the Administration) may remove the Remarketing Agent. Unless specifically approved by the Credit Provider and the Administration, such removal will not become effective until a successor Remarketing Agent satisfactory to the Credit Provider and the Administration has been appointed. The Remarketing Agent may purchase and sell Bonds for its own account at any time.

No Sales After Wrongful Dishonor; No Purchase After Acceleration

Notwithstanding anything in the Indenture to the contrary, no Bonds shall be remarketed if the Trustee has given notice to the Remarketing Agent that a Wrongful Dishonor has occurred and is continuing. No Bonds shall be purchased if the Trustee has given notice to the Remarketing Agent that there has occurred and is continuing an acceleration of the Bonds.

Supplemental Indentures Not Requiring Bondholder Consent

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

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

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

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

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

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

(f) to make any change requested by the Credit Provider which, in the judgment of the Trustee, is not materially adverse to the interests of the Bondholders, including, but not limited to,

provision of a Credit Facility other than or in substitution for the initial Credit Facility, provided that the provision of such other Credit Facility does not adversely affect the rating then in effect for the Bonds;

(g) to make any changes in the Indenture or in the terms of the Bonds necessary or desirable in order to maintain the rating of "Aaa/VMIG 1" or equivalent rating awarded to the Bonds by the Rating Agency or otherwise to comply with requirements of any Rating Agency then rating the Bonds;

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

(i) to modify, alter, amend or supplement the Indenture in any other respect, including amendments which would otherwise require the consent of Bondholders, as described below, if such amendments will take effect on a Mandatory Tender Date following the purchase of Tendered Bonds or (B) if notice of the proposed supplemental indenture is given to Bondholders (in the same manner as notices of redemption are given) at least 30 days before the effective date of such amendment, modification, alteration or supplement and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds; or

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

Supplemental Indentures Requiring Bondholder Consent. The Administration and the Trustee may, with the consent of Bondholders owning not less than 51 percent in aggregate principal amount of Bonds then Outstanding, from time to time, execute indentures supplemental to the Indenture for the purpose of modifying or amending any of the provisions of the Indenture provided, however, that nothing in the Indenture shall be construed as permitting, without the consent of Bondholders owning not less than 100% in aggregate principal amount of Bonds then Outstanding:

(a) an extension of the maturity of the principal of or interest on, or the mandatory redemption date of, any Bond, without the consent of the owners of all of the Bonds then Outstanding;

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

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

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

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

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

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

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

(i) the amendment of the foregoing, without the consent of the holders of all of the Bonds then Outstanding.

No Bondholder Consent Required for Amendment to Loan Documents

Unless a Wrongful Dishonor has occurred and is continuing, the Credit Provider alone may consent to any amendment to the Loan Documents and no consent of the Bondholders is required; provided, however, that any amendment or substitution of the Note shall occur only following written confirmation of the Rating Agency that such amendment or substitution will not result in a reduction or withdrawal of the rating on the Bonds.

Amendments to the Credit Facility

The Trustee and the Administration may consent, without the consent of the owners of the Bonds, to any amendment to the Credit Facility which does not prejudice in any material respect the interests of the Bondholders. Except for such amendments, the Credit Facility may be amended only with the consent of the Trustee, the Administration and the owners of a majority of principal amount of all Outstanding Bonds; provided, however, no amendment may be made to the Credit Facility which would reduce the amounts required to be paid under the Credit Facility or change the time for payment of such amounts; and provided further, however, that any such amounts may be reduced without such consent solely to the extent that such reduction represents a reduction in any fees payable from such amounts.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT

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

General

The Loan shall be deemed made in full upon deposit of the Net Bond Proceeds into the Loan Fund, payable in accordance with the Note and secured by the Security Instrument. The Borrower agrees under the Financing Agreement to cause credit enhancement for the Bonds and liquidity support for the Bonds to be in effect in the amounts and during the periods as required by the Indenture.

The Borrower agrees to pay certain costs of the Bonds and all fees and expenses of the Administration, the Trustee, the Credit Provider, the Rebate Analyst, the Construction Lender, the Tender Agent, the Remarketing Agent and expenses in connection with Conversion. If any Tendered Bond is not remarketed on any Tender Date and a sufficient amount is not available in the Bond Purchase Fund for the purpose of paying the purchase price of such Bond, the Borrower agrees to cause to be paid to the Trustee pursuant to the Credit Facility or otherwise, by the applicable times provided in the Indenture, an amount equal to the principal amount of all Bonds tendered and not remarketed, together with interest accrued on such Bonds to the Tender Date.

Personal Liability of the Borrower

The obligations of the Borrower under the Note are secured by the Security Instrument and are non-recourse obligations, with certain exceptions. The obligations of the Borrower under the Financing Agreement and under the Regulatory Agreements shall (i) be unsecured general obligations of the Borrower with recourse to the Borrower personally, (ii) be subordinate and junior in priority, right of payment and all other respects to any and all obligations of the Borrower to the Credit Provider under the Loan Documents and the Credit Facility Documents, and (iii) shall not be secured by or constitute a lien on the Project in any manner.

Covenants of the Borrower

The Borrower covenants to (i) comply with all laws and agreements relating to or affecting the Project and the tenants, (ii) maintain its existence, continue to be duly qualified to do business in the State and not terminate or dissolve, except with the consent of the Issuer and subject to compliance with the Regulatory Agreements, the Borrower may consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it, subject to the satisfaction of certain conditions, and (iii) comply with the requirements and conditions of the Tax Certificate and the Tax Regulatory Agreement, (iv) not use the proceeds of the Bonds, or any other funds which may be deemed to be proceeds of the Bonds, in a manner which will cause the Bonds to be "arbitrage bonds" within the meaning of the Code, (v) pay any required Rebate amount, (vi) advise the Issuer and the Trustee

promptly in writing of the occurrence of any default by the Borrower under any of the Bond Documents or the Loan Documents or if insurance proceeds or condemnation awards are received with respect to the Project, (vii) proceed with reasonable dispatch to complete the rehabilitation and equipping of the Project, and (viii) if amounts on deposit in the Loan Fund are not sufficient to pay the costs of completion, pay such costs or cause the same to be paid from other sources.

Events of Default and Remedies

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

(a) The Borrower fails to pay when due any amount payable by the Borrower under the Financing Agreement;

(b) The Borrower fails to observe or perform any covenant or obligation under the Financing Agreement after appropriate notice; and

(c) The Credit Provider provides written notice to the Trustee of an Event of Default under the Financing Agreement by reason of the occurrence of an Event of Default under the Reimbursement Agreement.

Remedies upon an Event of Default under the Financing Agreement include acceleration of the Note. Acceleration of the Note does not create an acceleration of the Bonds unless the Credit Provider specifically directs the Trustee to accelerate the Bonds.

References to the Credit Provider

All provisions in the Financing Agreement regarding consents, approvals, directions, waivers, appointments, requests or other actions by the Credit Provider shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Provider were not mentioned (i) if a Wrongful Dishonor has occurred and is continuing, or (ii) from and after the date on which the Credit Facility is declared to be null and void by final judgment of a court of competent jurisdiction; provided. All provisions in the Financing Agreement relating to the rights of the Credit Provider shall be of no force and effect if the Credit Facility has terminated or expired, there are no Pledged Bonds or Bonds in which the Credit Provider has a security interest, and all amounts owing to the Credit Provider under the Reimbursement Agreement have been paid.

**DIRECT PAY
IRREVOCABLE TRANSFERABLE
CREDIT ENHANCEMENT INSTRUMENT**

**Community Development Administration
Maryland Department of Housing and
Community Development Multifamily Development
Revenue Bonds
(Parklane Apartments Project)
Series 2001 C**

**July 11, 2001
U.S. \$9,925,018**

Relating to Loan No. _____

**Allfirst Bank, as Trustee
Corporate Trust Department
25 South Charles Street
16th Floor
Baltimore, MD 21201**

At the request of **Fairfield Parklane LP** (“**Borrower**”), **Fannie Mae** (“**Fannie Mae**”) issues this direct pay irrevocable, transferable Credit Enhancement Instrument to **Allfirst Bank** (the “**Trustee**”), not in its individual or corporate capacity, but solely as Trustee for the owners of \$9,800,000 aggregate principal amount of Community Development Administration, Maryland Department of Housing and Community Development Multifamily Development Revenue Bonds (Parklane Apartments Project) Series 2001 C (the “**Bonds**”) issued pursuant to the Trust Indenture (the “**Indenture**”), dated as of July 1, 2001, between 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 (the “**Issuer**”) and the Trustee.

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

“**Advance**” means a Principal Advance, Interest Advance, Pledged Bonds Advance or Issuer's Fee Advance, as such terms are defined in Section 3.

“**Affiliate**” as applied to any person, means any other person directly or indirectly controlling, controlled by, or under common control with, that person. For the purposes of this

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

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

“**Business Day**” means any day other than (i) a Saturday or a Sunday, (ii) any day on which banking institutions located in the City of New York, New York are required or authorized by law or executive order to close, (iii) any day on which banking institutions located in the city or cities in which the Principal Office (as that term is defined in the Indenture) of the Trustee or the Remarketing Agent is located are required or authorized by law or executive order to close, (iv) on or after the Conversion Date, a day on which banking institutions located in the city in which the Principal Office of the Loan Servicer is located are required or authorized by law or executive order to close or, (v) prior to the date upon which the interest rate on the Bonds adjusts to a fixed rate mode, a day on which the New York Stock Exchange is closed or (vi) any day on which Fannie Mae is closed.

“**Certificate**” means any written certificate in the form attached to this Credit Enhancement Instrument as an Exhibit signed by one who purports to be an authorized officer of the Trustee.

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

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

“**Expiration Date**” means subject to Section 7(d), the date and time of day on which this Credit Enhancement Instrument expires in accordance with Section 7(a).

“**Financing Agreement**” means the Financing Agreement among the Issuer, the Trustee and the Borrower, dated as of July 1, 2001.

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

“**Issuer’s Fee**” means the Issuer’s annual fee equal to 0.25% of the outstanding principal amount of the Loan, payable semiannually, in advance, in accordance with the Financing Agreement.

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

“Loan” means the mortgage loan made by the Issuer to the Borrower pursuant to the Financing Agreement for the purpose of providing funds to the Borrower to finance costs of the acquisition, construction/rehabilitation and equipping of the Mortgaged Property, as defined in the Indenture.

“Loan Servicer” means, initially, Berkshire Mortgage Finance Limited Partnership, a Massachusetts limited partnership, or, in the future, any other entity approved by Fannie Mae in its discretion as the servicer of the Loan, and any permitted successors or assigns.

“Note” means the Multifamily Note, dated July 11, 2001, executed by the Borrower in favor of the Issuer, as the same may be amended, supplemented or restated from time to time or any note executed in substitution therefor as such substitute note may be amended, supplemented or restated from time to time.

“Pledged Bond” means any Bond during the period from and including the date of its purchase by the Trustee on behalf of and as agent for the Borrower with the proceeds of an Advance under this Credit Enhancement Instrument, to, but excluding, the date on which the Pledged Bonds Advance made by the Credit Provider on account of such Pledged Bond is reinstated under this Credit Enhancement Instrument or the Pledged Bond is cancelled.

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

“Reimbursement Agreement” means the Reimbursement Agreement, dated as of July 1, 2001, between Fannie Mae and the Borrower, as such agreement may be amended, supplemented or restated from time to time.

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

“Reset Rate” means the rate of interest borne by the Bonds for a period of ten or more years (or such shorter period as consented to by Fannie Mae) as determined in accordance with the Indenture.

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

“Termination Date” means, subject to Section 7(d), the date on which this Credit Enhancement Instrument terminates in accordance with Section 7(b).

“Trustee” means Allfirst Bank, a state chartered commercial bank, duly organized and existing under the laws of the State of Maryland, not in its individual or corporate capacity, but solely as trustee under the Indenture, or any permitted successor trustee under the Indenture.

2. Amount Available. Subject to the terms and conditions of this Credit Enhancement Instrument, Fannie Mae irrevocably authorizes the Trustee to draw on Fannie Mae, from time to time, from and after the date of this Credit Enhancement Instrument to, and including, the earlier of the Expiration Date or the Termination Date, a maximum aggregate amount not exceeding

\$9,925,018 (as such amount may be reduced or reinstated from time to time in accordance with Section 8, the “**Amount Available**”), of which:

(a) up to \$9,800,000 (“**Principal Portion**”) may be drawn with respect to the unpaid principal of the Bonds or, as the case may be, the principal portion of the purchase price of the Bonds;

(b) up to \$112,768,000 (“**Interest Portion**”), or 35 days interest on the Bonds (calculated at an assumed rate on the Bonds of 12% per annum on the basis of a year of 365 days), may be drawn with respect to interest actually accrued on the Bonds or, as the case may be, the interest portion of the purchase price of the Bonds; and

(c) up to \$12,250 (“**Issuer's Fee Portion**”), representing one-half of the Issuer's Fee may be drawn with respect to the Issuer's Fee.

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

(a) in the form of Exhibit A to pay principal of the Bonds (other than Excluded Bonds) due as a result of the acceleration, defeasance, optional or mandatory redemption or stated maturity (“**Principal Advance**”);

(b) in the form of Exhibit B to pay interest on the Bonds (other than Excluded Bonds) on or prior to their stated maturity date (“**Interest Advance**”);

(c) in the form of Exhibit C to pay principal of, plus accrued interest on, Bonds tendered for purchase pursuant to the Indenture (“**Pledged Bonds Advance**”); and

(d) in the form of Exhibit D to pay the Issuer's Fee if not paid when due (“**Issuer's Fee Advance**”).

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

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

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

(a) personal delivery at 3900 Wisconsin Avenue, Washington, D.C. 20016, Attention: Vice President, Multifamily Services; or

(b) telecopy to phone number 202-752-8374, immediately followed by telephonic notice to the Vice President, Multifamily Services at telephone number 202-752-7869.

Fannie Mae will notify the Trustee in writing of any change in address or telecopy number to which all Certificates must be delivered or of any change relating to the person to be called for telephonic notices confirming telecopy communications. Any such written notice shall be effective upon receipt by the Trustee.

5. Fannie Mae's Engagement. Upon due receipt by Fannie Mae of a Certificate conforming to the terms and conditions of this Credit Enhancement Instrument, Fannie Mae will honor payment of the amount specified in such Certificate if presented as specified below on or before the earlier of the Expiration Date or the Termination Date:

(a) If a presentation in respect of a Principal Advance, an Interest Advance, or a Pledged Bonds Advance relating to a mandatory tender pursuant to Section 4.2(b) of the Indenture is made:

(i) at or prior to 12:00 noon Eastern time on a Business Day, payment shall be made to the Trustee of the amount specified no later than 1:00 p.m. Eastern time on the next following Business Day.

(ii) after 12:00 noon Eastern time on a Business Day, payment shall be made to the Trustee of the amount specified no later than 1:00 p.m. Eastern time on the second following Business Day.

(b) If a presentation in respect of a Pledged Bonds Advance (other than a Pledged Bonds Advance relating to a mandatory tender pursuant to Section 4.2(b) of the Indenture) is made:

(i) at or prior to 10:30 a.m. Eastern time on a Business Day, payment shall be made to the Trustee of the amount specified no later than 1:30 p.m. Eastern time on the same Business Day.

(ii) after 10:30 a.m. Eastern time on a Business Day, payment shall be made to the Trustee of the amount specified no later than 1:30 p.m. Eastern time on the next following Business Day.

(c) If a presentation in respect of an Issuer's Fee Advance is made:

(i) at or prior to 5:00 p.m. Eastern time on a Business Day, payment shall be made to the Trustee of the amount specified no later than 1:00 p.m. Eastern time on the fifth Business Day following such presentation.

(ii) after 5:00 p.m. Eastern time on a Business Day, payment shall be made to the Trustee of the amount specified no later than 1:00 p.m. Eastern time on the sixth Business Day following such presentation.

All Advances made under this Credit Enhancement Instrument will be made with Fannie Mae's own funds in immediately available funds.

6. Nonconforming Tender. If a demand for payment under this Credit Enhancement Instrument made by the Trustee does not conform to the terms and conditions of this Credit Enhancement Instrument, Fannie Mae will notify the Trustee of such lack of conformity within a reasonable time after delivery of such demand for payment, such notice to be promptly confirmed in writing to the Trustee, and Fannie Mae shall hold all documents at the Trustee's disposal or, at the Trustee's option, return the same to the Trustee.

7. Expiration and Termination.

(a) **Expiration.** This Credit Enhancement Instrument shall expire at 4:00 p.m. Eastern time on February 20, 2034 ("**Expiration Date**").

(b) **Termination Before Expiration Date.** This Credit Enhancement Instrument shall automatically terminate prior to the Expiration Date on the first to occur of: (i) the honoring by Fannie Mae of an Advance which automatically and permanently reduces the Principal Portion to zero, (ii) 4:00 p.m. Eastern time on the day following the last day of any period during which the Bonds bear interest at a Reset Rate unless Fannie Mae has notified the Trustee prior to such date that it elects to waive such termination, and (iii) Fannie Mae's receipt of a Certificate in the form of Exhibit G (which shall be conclusive evidence of the matters set forth therein). The date determined in the preceding sentence is the "**Termination Date.**"

(c) **Delivery.** Upon the Expiration Date or the Termination Date, whichever first occurs, this Credit Enhancement Instrument shall be delivered to Fannie Mae for cancellation.

(d) **Business Day Convention.** In the event that any date on which this Credit Enhancement Instrument would otherwise expire or terminate is not a Business Day, this Credit Enhancement Instrument shall continue in effect and shall not expire or terminate until 4:00 p.m. Eastern time on the next Business Day.

8. Reduction and Reinstatement of Amount Available. The Amount Available shall be reduced or reinstated from time to time in accordance with this Section.

(a) **Automatic Reduction on Making any Advance.** The Amount Available shall be reduced automatically by the amount of each Advance paid by Fannie Mae, notwithstanding any act or omission, whether authorized or unauthorized, of the Trustee or any officer, director,

employee or agent of the Trustee in connection with any Advance or the proceeds of such Advance or otherwise in connection with this Credit Enhancement Instrument. Each reduction shall be permanent or subject to reinstatement as provided in this Section. Such reduction shall be applied to the Principal Portion, the Interest Portion and the Issuer's Fee Portion as appropriate for the Advance to which the reduction relates.

(b) **Permanent Reduction for each Principal Advance.** The Principal Portion, Interest Portion and Issuer's Fee Portion shall be reduced automatically and permanently upon the making of any Principal Advance as follows:

(i) the Principal Portion will be reduced by the amount of the Principal Advance;

(ii) the Interest Portion will be reduced by an amount equal to 35 days of interest (calculated at the rate of 12% per annum on the basis of a year of 365 days) on the amount of the related permanent reduction of the Principal Portion; and

(iii) the Issuer's Fee Portion will be reduced in an amount equal to 0.25% multiplied by the amount of the related permanent reduction of the Principal Portion.

(c) **Permanent Reduction on Notice from the Trustee.** The Amount Available shall be reduced automatically by the amounts specified in any Certificate in the form of Exhibit E which is delivered to Fannie Mae. Such reduction shall be applied to the Principal Portion, the Interest Portion and the Issuer's Fee Portion as set out in the Certificate.

(d) **Reinstatement of Interest Portion for Interest Advance.** Except for a permanent reduction of the Interest Portion under subsection (b)(ii), the amount of the Interest Portion reduced by an Interest Advance shall be reinstated immediately and automatically.

(e) **Reinstatement of Pledged Bonds Advance.** The Principal Portion and the Interest Portion shall be reinstated after each Pledged Bonds Advance upon receipt by Fannie Mae of money equal to the amount by which the Trustee requests Fannie Mae to increase the Principal Portion and the Interest Portion in a Certificate of Reinstatement in the form of Exhibit F.

(f) **Reinstatement of Issuer's Fee Advance.** Except for a permanent reduction of the Issuer's Fee Portion under subsection (b)(iii), the amount of the Issuer's Fee Portion reduced by an Issuer's Fee Advance shall be reinstated immediately and automatically.

Upon any permanent reduction of the Amount Available, Fannie Mae may deliver to the Trustee a substitute Credit Enhancement Instrument in exchange for this Credit Enhancement Instrument, in an amount available equal to the then current Amount Available, but otherwise having terms identical to this Credit Enhancement Instrument.

9. Discharge of Obligations. Only the Trustee may demand an Advance under this Credit Enhancement Instrument. Upon payment to the Trustee of the amount specified in any Certificate presented under this Credit Enhancement Instrument, Fannie Mae shall be fully

discharged of its obligation under this Credit Enhancement Instrument with respect to such Certificate and Fannie Mae shall not thereafter be obligated to make any further payment to the Trustee or any other person (including the Issuer, with respect to payment of the Issuer's Fee) in respect of such Certificate for payment of principal of, purchase price of, or interest on any Bond, or payment of the Issuer's Fee.

10. Nature of Fannie Mae's Obligations. Fannie Mae's obligation to make Advances to the Trustee upon the proper presentation of documents which conform to the terms and conditions of this Credit Enhancement Instrument is absolute, unconditional and irrevocable, shall be fulfilled strictly in accordance with this Credit Enhancement Instrument, and shall not be affected by any right of set-off, recoupment or counterclaim Fannie Mae might otherwise have against the Issuer, the Trustee, the Tender Agent, the Remarketing Agent, the Borrower, the Loan Servicer or any other person.

Fannie Mae's obligations under this Credit Enhancement Instrument are primary obligations and shall not be affected by the performance or non-performance by the Issuer under the Indenture or the Bonds or by the Borrower under the Note or the Reimbursement Agreement or by the performance or non-performance of any party under any other agreement between or among any of the Issuer, the Trustee, the Borrower or Fannie Mae.

11. Transfer. This Credit Enhancement Instrument may be successively transferred in whole only, to each successor Trustee under the Indenture. Any such transfer shall be effective upon receipt by Fannie Mae of a signed copy of the instrument effecting such transfer signed by the transferor and by the transferee in the form attached as Exhibit H (which shall be conclusive evidence of such transfer). In each such case, the transferee instead of the transferor shall, without the necessity of further action, be entitled to all the benefits of and rights under this Credit Enhancement Instrument in the transferor's place.

12. Notices and Deliveries. All documents, notices and other communications, other than Certificates, shall be in writing and personally delivered to Fannie Mae at the address (and to the attention of the party) set out in Section 4(a) or may be sent to Fannie Mae by telecopy immediately followed by telephonic notice as set out in Section 4(b), as such address, telephone numbers and parties to whom such notices are sent are changed by Fannie Mae pursuant to Section 4.

13. Governing Law. This Credit Enhancement Instrument shall be governed by the laws of the District of Columbia, including the Uniform Commercial Code as in effect in the District of Columbia.

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

FANNIE MAE

By: _____

Name: _____

Title: _____

Signed: _____, 200_; effective as of the Closing Date

Exhibit A

CERTIFICATE FOR "PRINCIPAL ADVANCE"

DIRECT PAY

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

Attention: Director, Multifamily Services

Re: Credit Enhancement Instrument relating to Loan No. _____ ("Credit Enhancement Instrument")

\$ 9,800,000 Community Development Administration, Maryland Department of Housing and Community Development Multifamily Development Revenue Bonds (Parklane Apartments Projects) Series 2001 C

Parklane Apartments

The undersigned, a duly authorized officer of the Trustee named below ("Trustee"), certifies to Fannie Mae, with reference to the direct pay Credit Enhancement Instrument, that:

- (1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.
- (2) The Trustee demands an Advance in the amount of \$_____ under the Principal Portion of the Amount Available to be used to pay principal of the Bonds due as a result of the acceleration, defeasance, redemption or stated maturity of the Bonds pursuant to the Indenture.
- (3) The principal of the Bonds (other than Excluded Bonds) that is due on the first Business Day after the date of this Certificate is \$_____. The amount of the Advance demanded in paragraph 2 does not exceed such amount of principal.
- (4) The amount of the Advance (a) does not exceed the Principal Portion of the Amount Available on the date of this Certificate and (b) was computed in accordance with the Bonds and the Indenture.
- (5) Upon receipt by the Trustee of the Advance, (a) the Trustee will apply the same directly for the purpose specified in paragraph 2, and (b) no portion of said amount shall be applied by the Trustee for any purpose other than as set forth in paragraph 2.
- (6) The proceeds of the Advance demanded by this Certificate will not be applied to any payment on any Excluded Bonds.
- (7) The Advance demanded by this Certificate shall be paid to the Trustee at _____[specify account].

(8) Upon the payment referred to in paragraph 2, the aggregate principal amount of all Bonds outstanding (other than Excluded Bonds) will be \$_____.

(9) The amount of interest (computed at the Maximum Interest Rate (as that term is defined in the Indenture), which currently is _____* percent per annum) on the basis of the actual number of days elapsed over a year of 365 or 366 days, as applicable, accruing on the Bonds referred to in paragraph 8 above in any period of _____** days is \$_____.

* Trustee: Fill in current Maximum Interest Rate.

** Trustee: Fill in number of days of interest coverage required to be supplied by the Interest Portion.

(10) Upon the payment referred to in paragraph 2:

(a) **Reduction of Amount Available.** The Amount Available shall be reduced automatically and permanently by \$[insert amount of reduction] of which:

(i) \$_____ is attributable to the Principal Portion;

(ii) \$_____ is attributable to the Interest Portion; and

(iii) \$_____ is attributable to the Issuer's Fee Portion (computed at a rate of 0.25% multiplied by the outstanding principal amount of the Loan).

(b) **New Amount Available.** The Amount Available will be \$_____ of which:

(i) \$_____ will be the Principal Portion;

(ii) \$_____ will be the Interest Portion; and

(iii) \$_____ will be the Issuer's Fee Portion (computed at a rate of 0.25% multiplied by the outstanding principal amount of the Loan).

(11) The aggregate principal amount of all Excluded Bonds outstanding is \$_____.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of _____, ____.

as Trustee

By: _____
Authorized Officer

Exhibit B

CERTIFICATE FOR "INTEREST ADVANCE"

DIRECT PAY

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

Attention: Director, Multifamily Services

Re: Credit Enhancement Instrument relating to Loan No. _____ ("Credit Enhancement Instrument")

\$ 9,800,000 Community Development Administration, Maryland Department of Housing and Community Development Multifamily Development Revenue Bonds (Parklane Apartments Projects) Series 2001 C

Parklane Apartments

The undersigned, a duly authorized officer of the Trustee named below ("Trustee"), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, that:

- (1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.
- (2) The Trustee demands an Advance in the amount of \$_____ under the Interest Portion of the Amount Available to be used to pay interest on the Bonds (other than Excluded Bonds) on or prior to their stated maturity date.
- (3) The amount of the Advance referred to in paragraph (2) was computed in accordance with the Bonds and the Indenture and does not exceed the amount of interest that is (a) due on the Business Day following the date of this Certificate on the Bonds and (b) the Interest Portion of the Amount Available on the date of this Certificate.
- (4) Upon receipt by the Trustee of the amount demanded by this Certificate, (a) the Trustee will apply the same directly for the purpose specified in paragraph 2 and (b) no portion of said amount shall be applied by the Trustee for any purpose other than as set forth in paragraph 2.
- (5) The proceeds of the Advance demanded by this Certificate will not be applied to any payment on any Excluded Bonds.
- (6) Payment of the amount referred to in paragraph 2 shall be made to the Trustee at **[specify account]**.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _____, ____ .

as Trustee

By:_____
Authorized Officer

Exhibit C

CERTIFICATE FOR “PLEDGED BONDS ADVANCE”

DIRECT PAY

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

Attention: Director, Multifamily Services

Re: Credit Enhancement Instrument relating to Loan No. _____ (“Credit Enhancement Instrument”)

\$9,800,000 Community Development Administration, Maryland Department of Housing and Community Development Multifamily Development Revenue Bonds (Parklane Apartments Projects) Series 2001 C

Parklane Apartments

The undersigned, a duly authorized officer of the Trustee named below (“Trustee”), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, that:

- (1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.
- (2) The Trustee demands an Advance in the amount of \$_____, consisting of (a) \$_____ under the Principal Portion of the Amount Available to be used to pay the principal portion of the purchase price of Bonds and (b) \$_____ under the Interest Portion of the Amount Available to be used to pay the interest portion of the purchase price of Bonds purchased pursuant to Section 4.1(a), 4.2(a) or 4.2(b) of the Indenture (“Tendered Bonds”).
- (3) The amount demanded pursuant to Paragraph (2) does not exceed the amount necessary, at the time of the presentation of this Certificate to Fannie Mae, to pay the purchase price of the Tendered Bonds which the Remarketing Agent has not remarketed or for which the Remarketing Agent has not received sufficient remarketing proceeds to pay the purchase price of the Tendered Bonds.
- (4) The principal component of the aggregate purchase price of the Tendered Bonds that is due on the date of this Certificate is \$_____, and the amount of the Advance relating to the Principal Portion referred to in paragraph 2 does not exceed such amount of principal. The aggregate accrued interest component of the purchase price of the Tendered Bonds that is due on the date of this Certificate is \$_____ and the amount of the Advance relating to the Interest Portion referred to in paragraph 2 does not exceed such amount.

(5) On the date of this Certificate, (a) the principal portion of the Advance does not exceed the Principal Portion of the Amount Available and (b) the interest portion of the Advance does not exceed the Interest Portion of the Amount Available. The amount of the Advance was computed in accordance with the Bonds and the Indenture.

(6) Upon receipt by the Trustee of the Advance demanded by this Certificate, (a) the Trustee will apply the same directly for the purpose specified in paragraph 2 and (b) no portion of said amount shall be applied by the Trustee for any purpose other than as set forth in paragraph 2.

(7) The proceeds of the Advance demanded by this Certificate will not be applied to defease, redeem or pay (whether at stated maturity or by acceleration) any Excluded Bond.

(8) Bonds in a principal amount equal to the Principal Portion of the Advance made under this Certificate will be delivered to **[Custodian]*** or if, and only if, delivery of the Bonds is not possible, a written entitlement order will be delivered to the applicable financial intermediaries on whose records ownership of the Pledged Bonds is reflected directing the intermediaries to credit the security entitlement to the Pledged Bonds to the account of **[Custodian]*** for the benefit of Fannie Mae and a written confirmation of such credit will be delivered to the **[Custodian]***.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _____, ____.

as Trustee

By: _____
Authorized Officer

* Fill in name of Custodian under the Pledge Agreement.

Exhibit D

CERTIFICATE FOR "ISSUER'S FEE ADVANCE"

STAND-BY

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

Attention: Director, Multifamily Services

Re: Credit Enhancement Instrument relating to Loan No. _____ ("Credit Enhancement Instrument")

\$ 9,800,000 Community Development Administration, Maryland Department of Housing and Community Development Multifamily Development Revenue Bonds (Parklane Apartments Projects) Series 2001 C

Parklane Apartments

The undersigned, a duly authorized officer of the Trustee named below ("Trustee"), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, that:

- (1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.
- (2) The Borrower has failed to pay the Issuer's Fee by **[date of annual, quarterly or monthly payment]**.
- (3) The Trustee demands an Advance in the amount of \$_____ under the Issuer's Fee Portion of the Available Amount to be used to pay the Issuer's Fee.
- (4) The amount of the Advance demanded (a) does not exceed the Issuer's Fee Portion of the Amount Available and (b) was computed in accordance with the terms and conditions of the Financing Agreement, dated as of July 1, 2001, among the Issuer, the Trustee and the Borrower.
- (5) Upon receipt by the Trustee of the Advance (a) the Trustee will apply the same directly for the purpose specified in paragraph 3 and (b) no portion of said amount shall be applied by the Trustee for any purpose other than as set forth in paragraph 3.
- (6) Payment of the amount referred to in paragraph 3 shall be made to the Trustee at (specify account).

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _____, ____.

_____,
as Trustee

By: _____
Authorized Officer

Exhibit E

CERTIFICATE OF REDUCTION

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

Attention: Director, Multifamily Services

Re: Credit Enhancement Instrument relating to Loan No. _____ (“Credit Enhancement Instrument”)

\$ 9,800,000 Community Development Administration, Maryland Department of Housing and Community Development Multifamily Development Revenue Bonds (Parklane Apartments Projects) Series 2001 C

Parklane Apartments

The undersigned, a duly authorized officer of the Trustee named below (“Trustee”), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, as follows:

- (1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.
- (2) The aggregate principal amount of Bonds outstanding has been reduced to \$_____.
- (3) Effective on [insert date]:
 - (a) the Amount Available shall be reduced by \$_____, of which (i) \$_____ is a reduction of the Principal Portion, (ii) \$_____ is a reduction of the Interest Portion and (iii) \$_____ is a reduction of the Issuer’s Fee Portion;
 - (b) after such reduction, the Amount Available will be \$_____, of which (i) \$_____ will be the Principal Portion, (ii) \$_____ will be the Interest Portion and (iii) \$_____ will be the Issuer’s Fee Portion; and
 - (c) after such reduction, the Amount Available will be not less than the aggregate unpaid principal amount of the Bonds Outstanding (as that term is defined in the Indenture).

By its execution hereof, Fairfield Parklane LP (“Borrower”) certifies to Fannie Mae that the Trustee is authorized to deliver this Certificate to Fannie Mae. The Borrower and the Trustee further certify that the amounts specified in paragraph 3 have been determined in accordance with the terms and conditions of the Indenture and the Reimbursement Agreement.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

IN WITNESS WHEREOF, the Trustee and the Borrower have executed and delivered this Certificate as of the ____ day of _____, ____.

as Trustee

By: _____
Authorized Officer

FAIRFIELD PARKLANE LP, a Delaware limited
partnership

By: FF Parklane LLC, a Delaware limited liability
company, General Partner

By: FF Properties, Inc., a Delaware
corporation, its Manager

By: _____

Exhibit F

CERTIFICATE OF REINSTATEMENT

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

Re: Credit Enhancement Instrument relating to Loan No. _____ (“Credit Enhancement Instrument”)

\$ 9,800,000 Community Development Administration, Maryland Department of Housing and Community Development Multifamily Development Revenue Bonds (Parklane Apartments Projects) Series 2001 C

Parklane Apartments

The undersigned, a duly authorized officer of the Trustee named below (“Trustee”), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, as follows:

- (1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.
- (2) The Trustee has received notification from the Tender Agent that Bonds pledged to Fannie Mae by the Borrower which were acquired with the proceeds of a Pledged Bonds Advance under the Credit Enhancement Instrument are to be remarketed or sold. The Trustee has received and is transferring to Fannie Mae the amount set forth in paragraph 3.
- (3) Upon receipt by Fannie Mae of this Certificate and \$_____, the Amount Available will be increased as follows:
 - (a) the Principal Portion of the Amount Available will be increased by \$_____, but such increase shall not cause the Principal Portion to exceed the original Principal Portion less the sum of (i) all Principal Advances paid by Fannie Mae in accordance with the Credit Enhancement Instrument and (ii) the aggregate of all reductions of the Principal Portion pursuant to any Certificate of the Trustee in the form of Exhibit E; and
 - (b) the Interest Portion of the Amount Available will be increased by \$_____, but such increase shall not cause the Interest Portion to exceed the original Interest Portion less the aggregate of (i) all Interest Advances for interest which have not been reinstated in accordance with the Credit Enhancement Instrument, subject to the reinstatement of such amounts as set forth in the Credit Enhancement Instrument, (ii) all reductions of the Interest Portion due to any permanent reduction of the Principal Portion of the Amount Available and (iii) to the extent not addressed in (ii), all reductions of the Interest Portion pursuant to any Certificate of the Trustee in the form of Exhibit E.

(4) Fannie Mae shall promptly release or direct Fannie Mae's custodian in writing to release the Pledged Bonds to the Tender Agent in a principal amount corresponding to the Principal Portion identified in paragraph 3 or, if such release is not possible, Fannie Mae shall be deemed to consent to the delivery of a written entitlement order to the applicable financial intermediary on whose records ownership of such Pledged Bonds is reflected to credit the ownership entitlement to such Bonds to the account as directed by the Trustee. Such release or deemed consent shall be conclusive evidence of the reinstatement of the Principal Portion and Interest Portion as described in paragraph 3.

Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _____, ____.

as Trustee

By: _____
Authorized Officer

Exhibit G

NOTICE OF TERMINATION

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

Re: Credit Enhancement Instrument relating to Loan No. _____ (“Credit Enhancement Instrument”)

\$ 9,800,000 Community Development Administration, Maryland Department of Housing and Community Development Multifamily Development Revenue Bonds (Parklane Apartments Projects) Series 2001 C

Parklane Apartments

The undersigned, a duly authorized officer of the undersigned Trustee (“Trustee”), certifies to Fannie Mae, with respect to the Credit Enhancement Instrument, that the Trustee is authorized to file this notice pursuant to the Indenture. Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

The undersigned certifies to Fannie Mae: *

_____ (a) None of the Bonds are Outstanding under the Indenture.

_____ (b) The Trustee has received an Alternate Credit Facility (as such term is defined in the Indenture) as permitted by the Indenture and the Reimbursement Agreement.

* Trustee: Check applicable paragraph

Pursuant to the Indenture we enclose the Credit Enhancement Instrument for cancellation.

Very truly yours,

as Trustee

By: _____
Authorized Officer

Dated: _____

By its execution hereof, Fairfield Parklane LP (“Borrower”) hereby certifies to Fannie Mae that all conditions precedent to the cancellation of the Credit Facility and substitution of an Alternate Credit Facility set forth in the Indenture and the Reimbursement Agreement have been satisfied and hereby joins in the Trustee’s instructions to Fannie Mae may cancel the same.

FAIRFIELD PARKLANE LP, a Delaware limited
partnership

By: FF Parklane LLC, a Delaware limited liability
company, General Partner

By: FF Properties, Inc., a Delaware
corporation, its Manager

By: _____

Exhibit H

CERTIFICATE FOR SUCCESSOR TRUSTEE

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

Attention: Director, Multifamily Services

Re: Credit Enhancement Instrument relating to Loan No. _____ (“Credit Enhancement Instrument”)

\$ 9,800,000 Community Development Administration, Maryland Department of Housing and Community Development Multifamily Development Revenue Bonds (Parklane Apartments Projects) Series 2001 C

Parklane Apartments

The undersigned is a duly authorized officer of the Trustee under the Indenture for the holders of the Bonds

The Trustee transfers all rights in the Credit Enhancement Instrument to _____, subject to the terms and conditions of the Credit Enhancement Instrument. The Trustee certifies that the transferee is the successor Trustee under the Indenture referred to in the Credit Enhancement Instrument and such successor Trustee has been approved in writing by Fannie Mae. The transferee acknowledges below that it is the successor Trustee. Such successor Trustee has entered into a written agreement to be bound by the Assignment and Intercreditor Agreement dated July 1, 2001 by and among Fannie Mae, the Trustee and the Issuer.

By this transfer, all rights of the undersigned Trustee in the Credit Enhancement Instrument are transferred to the transferee and the transferee shall have the sole rights as the beneficiary, including sole rights relating to any amendments, whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised direct to the transferee without necessity of any consent of or notice to the undersigned.

Dated: _____

as Trustee

By: _____
Authorized Officer

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

By: _____
Authorized Officer

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

By: _____
Authorized Officer

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APPENDIX E
FORM OF BOND COUNSEL OPINION

[Closing Date]

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

\$9,800,000
COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
MULTIFAMILY DEVELOPMENT REVENUE BONDS
(Parklane Apartments Project)
Series 2001 C

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 \$9,800,000 aggregate principal amount of its Multifamily Development Revenue Bonds (Parklane Apartments Project), Series 2001 C (the "Bonds").

The Bonds are being issued under and pursuant to Sections 2-201 through 2-208 of Article 83B of the Annotated Code of Maryland, as amended (the "Act") and in accordance with the terms and provisions of a Trust Indenture dated as of July 1, 2001 (the "Indenture"), by and between the Administration and Allfirst Bank, as Trustee. The Director of the Administration determined, pursuant to Section 2-206(c) 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 provisions of the Internal Revenue Code of 1986, as amended (the "Code") establish 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 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 is a "substantial user" of the facilities financed with the Bond proceeds or a "related person", both within the meaning of Section 147(a) of the Code. In addition, interest on the Bonds is treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations.

- 5) Under existing law, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, are exempt from taxation of every kind and nature whatsoever by the State of Maryland, except, that no opinion is expressed with respect to any exemption from Maryland franchise taxes or estate or inheritance taxes.

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).

Very truly yours,

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